Making great things happen

Corus Entertainment 2007 Annual Report

Revenues
(in millions)

Segment profit
(in millions)

Financial highlights

(millions of Canadian dollars except per share amounts)	2007	2006	2005	2004	2003
REVENUES	**768.7**	726.3	683.1	666.8	643.9
SEGMENT PROFIT [1]	**240.9**	214.1	195.3	90.4	165.3
NET INCOME (LOSS)	**107.0**	35.5	71.1	(23.1)	40.0
EARNINGS (LOSS) PER SHARE					
Basic	**$2.53**	$0.84	$1.66	$(0.54)	$0.94
Diluted	**$2.47**	$0.82	$1.65	$(0.54)	$0.94
Total assets	**1,937.0**	1,842.2	1,928.4	1,871.9	1,940.6
Total long-term financial liabilities	**673.8**	666.4	660.4	690.9	693.5
CASH DIVIDENDS DECLARED PER SHARE					
Class A Voting	**$1.00250**	$0.4525	$0.065	$0.04	–
Class B Non-Voting	**$1.01331**	$0.4650	$0.075	$0.05	–

[1] As defined in "Key performance indicators – Segment profit and segment profit margin" in management's discussion and analysis.

Table of contents

Front cover images (left to right): *Di-Gata Defenders* on TELETOON, Maureen Holloway and John Derringer on Q107, *The Backyardigans* on Treehouse, Candice Olson of *Divine Design* on W Network, Mark Picard, Art Director, Nelvana Enterprises and a 2007 Corus Creative Spark Award winner.

Back cover images (left to right): *This is Emily Yeung* on Treehouse, *Ruby Gloom* on YTV, *Storm Hawks* on YTV, Cheryl Bechtel, Controller, Corus Radio and a 2007 Corus Samurai Award winner.

Initiative

Innovation Teamwork
Accountability Knowledge

Initiative is one of our five Core Values. We empower employees to make great things happen, and that's what they did in 2007, helping Corus set company records for revenues, segment profit, cash flow and share price. We recognize the quality of our content and the strength of our brands, but ultimately we owe our success to the initiative of our people. They develop the content, create the programming, and build the relationships that connect us with our audiences and advertisers – and that's how Corus makes great things happen.

Television

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In 2007, Corus continued to make great things happen for kids and their families. Our solid lineup of favourites made us #1 with kids, and helped YTV, Discovery Kids, Treehouse and TELETOON reach more Canadian kids than anyone else.

W Network, which has doubled in ratings since its launch in 2002, remained the #1 specialty channel for women across all key demographics. Viewers tuned in for exclusive movies and great series. Original programming like *Divine Design, The Shopping Bags, Style by Jury* and *Save Us From Our House!* – all featured on W Network – inspired and entertained audiences in Canada and internationally.

1 Debuting on YTV in fall 2007, the Canadian-produced animated series *Storm Hawks* launched on mobile, online and on-demand platforms prior to its broadcast premiere, and quickly became an audience favourite. 2 David Duchovny stars as a deeply-flawed, funny and complicated writer trying to raise his 13-year-old daughter while still carrying a torch for his ex-girlfriend in Showtime's edgy and hilarious new series *Californication*, airing on Movie Central. 3 Nominated in 2006 for a Gemini for Best Preschool Program or Series, *Roll Play* encourages kids to get up and join in the fun, playing alongside the on-screen puppets and children.

"A dedicated research department that understands our audiences helps us deliver the best entertainment experience."

Mark Leslie, Director, Research, Corus Television

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On Movie Central, more than 883,000 subscribers were able to see the end of *The Sopranos*, catch the premiere of *Durham County* and discover new must-see hits like *Dexter*.

Enjoyed in more than eight and a half million homes, CMT remained *the* source for country music videos, music programming and entertainment news while offering a prime-time lineup of movies, specials, comedy and drama series, like *Reba* and *Nashville Star*.

Our other TV assets include SCREAM, Telelatino, Corus Custom Networks, Max Trax digital music and three over-the-air local TV stations. In 2008, Corus will strengthen its appeal to the women's demographic by launching Cosmopolitan TV, a digital service based on the popular women's magazine.

4 Produced by Nelvana and broadcast on TELETOON, *6TEEN* won the prestigious Award of Excellence, Animation Ages 9–14 from The Alliance for Children and Television in 2007. This show revolves around six teens who learn to lean on one another through their big firsts – first jobs, first crushes, first bank accounts and first heartaches. 5 Emmy® Award-winner Kyra Sedgwick stars in the critically-acclaimed cop drama *The Closer*. After premiering in fall 2006, the series became a staple in W Network's *Friday After Dark* programming block.

Radio

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104,7 fm
Le FM parlé de l'Outaouais

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A market leader in Canadian radio, Corus reached 46% more listeners than its closest competitor – 8.3 million people each week through its 52 stations, with 36 stations in the country's top 12 markets. Offering a mix of the best new rock, news-talk, classic rock and country, Corus Radio is committed to serving and staying connected to its communities.

Corus celebrated many achievements in 2007, including the introduction of two-minute stopsets on its major market FM stations. Two-minute stopsets guarantee that audiences are never more than two minutes away from a song and provide a more powerful way for advertisers to deliver their messages.

1 Canadian recording artist Sam Roberts was a featured performer at 102.1 the Edge's 2006 CASBY Awards in Toronto. 2 CJRC 104,7 FM was the first of four Quebec radio stations that transitioned their signals from AM to FM in 2007. CHLT 102,1 FM (Sherbrooke), CHLN 106,9 FM (Trois-Rivières), CKRS 98,3 FM (Saguenay) and Gatineau's CJRC 104,7 FM now offer stronger signals to larger audiences.

"Our two-minute stopsets are a prime example of how we make great things happen for our audiences and advertising clients."

Ross Winters, National Program Director, Corus Radio

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Q107 Classic Rock 1977 30 2007

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Corus marked other milestones in 2007, as respected new rock historian Alan Cross celebrated his 20th year with Corus, Calgary's Country 105 celebrated its 25th anniversary, and Q107 reunited iconic rock band Max Webster for the station's 30th birthday celebration. Corus grew in 2007 with the acquisition of CKBT in Kitchener and CJZZ in Winnipeg. It also transitioned four of its AM stations in Quebec to the FM dial leading to stronger broadcast signals and larger audiences.

By informing and entertaining our audiences, delivering the best-in-class service to our clients and supporting charitable initiatives in our communities, Corus Radio continued to make great things happen in 2007.

3 Guy Jodoin and **6** Richard Turcotte joined Corus Quebec in Montreal to co-host CKOI's morning show, *Juste pour le fun,* with Jean-Claude Gélinas and Marc Gélinas. **4** and **5** Q107 in Toronto celebrated its 30th anniversary in 2007 and for the station's birthday bash, afternoon drive host Kim Mitchell reunited with his band, Max Webster, for a memorable night of Canadian rock.

Content

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Around the world, great things continued to happen for Nelvana Enterprises in 2007. With more than 393 broadcast deals in over 175 countries, more children in more countries were able to enjoy great programs such as *Babar, Grossology, Ruby Gloom* and *The Backyardigans.*

We also began to expand our own stable of international television channels. qubo, our U.S.-based children's channel, created in partnership with NBC Universal, ION Media Networks, Scholastic and Entertainment Rights, had an extraordinary first year. With the help of Nelvana favourites *Babar, Jacob Two-Two* and *Jane and the Dragon*, qubo's Saturday morning block on NBC showed a ratings increase of more than 50% compared to the previous year.

1 qubo is found on NBC on Saturday mornings, ION Television on Friday afternoons, Telemundo on weekends and seven days a week on qubo's digital channel and website. In fall 2007, qubo debuted *My Friend Rabbit*, a Nelvana-created series inspired by the popular book by Eric Rohmann. 2 Airing to impressive ratings on TELETOON, *Bakugan* and its companion toys are poised to be the next boys action phenomenon. The sphere-shaped toys transform into "battle-brawling" action figures when rolled onto magnetic cards. 3 Seen in Canada on YTV and Discovery Kids and distributed in key territories around the world, a second season of *Grossology* has been green-lit. To serve its growing fan base, a merchandising program is set to launch in 2008.

“The quality of our Nelvana library and our collaborative approach have made great partnerships happen around the world.”

Lynn Chadwick, Vice President Worldwide Sales & Distribution, Nelvana Enterprises

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In April of 2007, Corus announced a partnership with Sparrowhawk Media and DIC Entertainment to create KidsCo, an international children's channel that, once completely distributed, will cover the globe. KidsCo offers 24-7 multiplatform channels that are committed to providing a responsible and entertaining environment for children and families around the world. First launched in Romania, Hungary, Russia, Turkey and Poland in fall 2007, KidsCo is slated to be available in up to 40 territories – including Europe and Latin America – by 2009.

By expanding broadcast sales, launching international networks and continuing to drive home video and merchandising partnerships, Nelvana Enterprises made great things happen.

4 What makes Ruby so happy? Winning the 2007 Cartoons on the Bay/Pulcinella Award for best children's television series, consistently strong ratings and the launch of merchandising programs in key territories have all made *Ruby Gloom* the happiest girl in the world. **5** A ratings winner on Treehouse in Canada and Nick Jr. and Noggin in the U.S., the North American merchandising program for *Max & Ruby* continued to grow in 2007 and will see the launch of a live off-Broadway production in 2008. **6** *The Backyardigans*, a co-production with Nick Jr., is a top-rated show on Nick Jr., Noggin and Treehouse with global broadcast sales and merchandise deals. In 2007, it won a Daytime Emmy® Award for Individual Achievement in Animation and a Gemini Award for Best Preschool Program and Series.

Fellow shareholders:

We are pleased to report that our employees worked together to make great things happen in 2007.

Our financial guidance targets for the year were consolidated segment profit of between $230 million and $240 million and free cash flow of between $85 million and $100 million. We exceeded our segment profit target, met our cash flow target and saw our share price increase by 26%.

At $769 million, our revenues for the year were the highest our Company has ever achieved, with consolidated segment profit of $241 million, up 13%. Our free cash flow, before business combinations, rose to $97 million and net

We exceeded our segment profit target, met our cash flow target and saw our share price increase by 26%.

income was $107 million, with basic earnings per share of $2.53. We purchased approximately 2% of our Class B shares for cancellation and were able to increase our declared annual cash dividend by 16% to $1.00 per share.

Our Company's success was a team effort to which every division contributed:

Television Our Television division continued to deliver strong results in 2007. Revenues for the year were $436 million, up 9%, and segment profit was up 10% to $182 million. A larger investment in programming contributed to across-the-board ratings increases and growth in advertising and subscriber revenue. Double-digit advertising growth from CMT and W Network led to an overall advertising revenue increase of 10%. Movie Central's subscriber numbers were up 7%, which

Heather A. Shaw Executive Chair

John M. Cassaday President and Chief Executive Officer

helped raise division-wide subscriber revenue growth by 8%. In terms of audience ratings, Corus continued to have the #1 specialty channel for kids and the #1 specialty channel for women in key demographics.

Corus continued to have the #1 specialty channel for kids and the #1 specialty channel for women in key demographics.

Radio Revenues for the year were $276 million, up 3%, while segment profit was up 13% to $78 million. Revenue growth occurred in all regions, with above-average growth in Toronto and Edmonton. Our competitive position in the Quebec market continued to improve as our stations began to keep pace with average market growth in the region. We expanded our reach in 2007 by acquiring CKBT in Kitchener and CJZZ in Winnipeg, and delivered stronger broadcast signals and larger audiences by transitioning four of our AM stations in Quebec to the FM dial.

Content With a planned reduction in the number of episodes to offer the international market, sales revenues were $61 million, down 4% from last year, but segment profit for the year was $5.4 million, up from $4.5 million in 2006. Nelvana Enterprises continued to leverage the value of its animation library by partnering with Sparrowhawk Media and DIC Entertainment to create an international kids channel. Branded KidsCo, this multiplatform channel launched in selected territories in fall 2007 and is planning expansion into 40 countries by 2009.

“Thanks to the efforts of our 3,000 employees we delivered excellent results for our shareholders with strong contributions from all divisions.”

Heather Shaw

2008 Outlook We believe that the momentum we enjoyed in 2007 will carry over into 2008 and that we will continue to produce strong results and deliver increased shareholder value. Once again we have committed to achieving certain financial goals. For 2008 they are:

- Consolidated segment profit of between $255 million and $265 million
- Free cash flow of between $90 million and $110 million

As technology impacts how, where and when audiences receive content, and as media consolidation changes the competitive landscape of our industry, we have confidence in the strength of our core business and continue to believe that we have the right mix of assets for generating growth. We will remain focused on our core business, while continuing to invest in selective multiplatform initiatives like on-demand services and branded websites to extend our existing assets onto new platforms.

Our Television division will drive growth by solidifying our leadership position in the children's and women's demographics and by extending Movie Central's reach in the West. We realize that, to achieve this goal, our programming costs will increase, but we have plans in place to offset these increases and ensure that we maintain our margins. The February 2008 launch of Cosmopolitan TV, a digital channel inspired by the world's bestselling women's lifestyle magazine, will further expand our share of the women's market.

We will remain focused on our core business, while continuing to invest in selective multiplatform initiatives.

"We believe in the strength of our core business and that we have the right mix of assets to deliver growth in 2008 and beyond."

John Cassaday

Corus Radio currently owns 52 stations, 36 of which are located in the top 12 major markets. In 2008, we will drive growth by continuing to dominate the country's top radio markets. We will pursue a balanced strategy of increasing national and local market sales while managing costs in each station and cluster. We have seen improved performance of our Quebec radio stations and have a plan in place to achieve further progress in this market.

At Nelvana Enterprises, we will continue to focus on international channel growth through ventures like qubo and KidsCo. We will also fuel growth by making our library available on new platforms worldwide and investing prudently in those select brands that we believe show potential for merchandising success.

Corporately, we will maintain our share buyback strategy and continue to return cash to shareholders through our dividend policy. We have also recently announced a two-for-one stock split. Planned for February 2008 (subject to shareholder approval) we believe this split will make our stock more accessible to a broader range of investors.

In closing, we would like to again thank our employees for their contributions to our strong performance in 2007. Their hard work and ongoing dedication, coupled with our strong brands, will help ensure that Corus keeps making great things happen in 2008. To our fellow shareholders – we thank you for your confidence in our Company and your continuing support.

John M. Cassaday
President and Chief Executive Officer

Heather A. Shaw
Executive Chair

Employees

"Initiatives like Corus University demonstrate how Corus is meeting its commitment to empower employees to make great things happen."

Hugh Arnold, Dean, Corus University

Driving superior financial results, delivering award-winning content and programming, building win-win relationships with advertising clients and partners and giving back to communities – Corus employees took the initiative to make great things happen in 2007.

One of the highlights of the Corus year is our Annual Employee Awards ceremony at which we acknowledge individual employees with our Samurai Awards for delivering superior results while honouring our Values of Initiative, Innovation, Teamwork, Accountability and Knowledge. We recognized the Edmonton Radio cluster, the employees who launched KidsCo and our

1 At Corus Entertainment, we draw on our Values of Initiative, Innovation, Teamwork, Accountability and Knowledge. Our Values define our corporate culture, unite us and guide us in the work we do. Our Samurai Award winners are honoured for their exemplary dedication to living our Values each and every day. Heather Shaw and John Cassaday with the 2007 Samurai Award winners.

eco-friendly Corus Green team with our President's Awards for team accomplishments. We also acknowledged our employees' creative talent with our Creative Spark Awards, and their dedication to community service with our Citizenship Award.

Training and development remained a high priority for Corus in 2007. We enhanced the curriculum at Corus University, the in-house university established in 2003 to provide leadership training to our managers. In fall 2007, Corus U partnered with Harvard Business School Publishing to provide online training and development courses to all Corus employees.

2 Creative excellence drives our business. Our audiences continue to grow and our advertising clients continue to partner with us because of the high level of creative excellence we provide. Our Creative Spark winners are honoured for their creative spirit, technical innovation and teamwork approach. Heather Shaw and John Cassaday with the 2007 Creative Spark Award winners.

Canadiana

"Winning an Emmy® for *The Backyardigans* strengthens Nelvana Studio's worldwide reputation as a leader in animation."

Jeff Astolfo, Animator, Nelvana Studio

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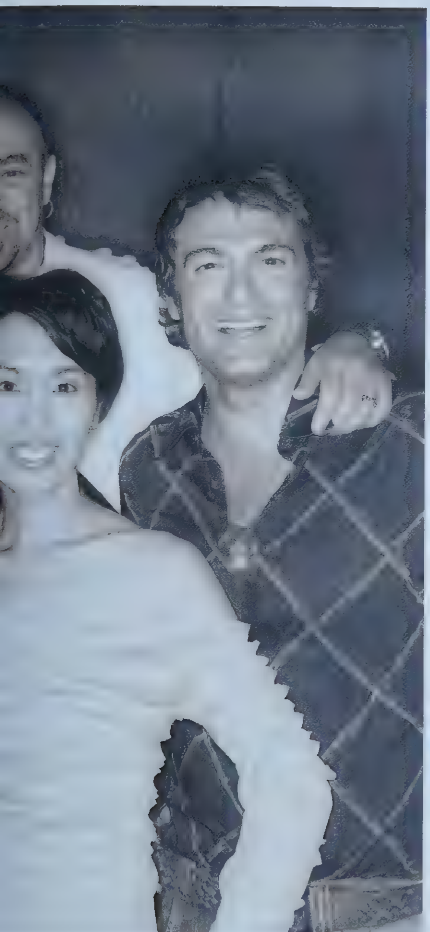
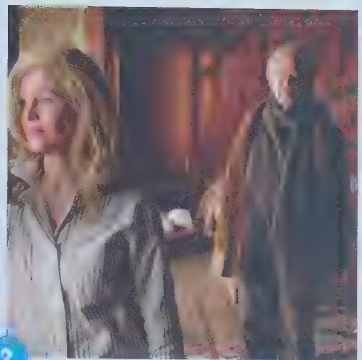
When it comes to developing original Canadian content, Corus and its partners are making great things happen.

From W Network's top-rated transformation show *Style by Jury*, to hits like *Ruby Gloom* on YTV and *The Backyardigans*, the Emmy Award®-winning preschool show from Nick Jr. and Nelvana Studio, Corus sets the standard for innovative and creative television programming.

Through the Corus Made with Pay Fund, administered by Movie Central, we dedicate $1.5 million each year to the script and concept development of Canadian feature films and television dramas, including the acclaimed series *Durham County*, *ReGenesis* and *Slings & Arrows*. Corus also provided support for exceptional films, such as David Cronenberg's *Eastern Promises*, Jeremy Podeswa's

1 Now in its sixth season, the Canadian-made audience favourite *Style by Jury* consistently ranks among W Network's top 10 scheduled series, standing shoulder-to-shoulder with some of the network's most popular programming from around the world. 2 The Movie Central-supported feature film *Away from Her* had its Gala World Premiere at the Toronto International Film Festival and was the Opening Gala feature at Sundance. Exquisitely directed by Canadian actress Sarah Polley, it stars Gordon Pinsent and Julie Christie.





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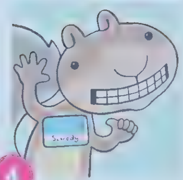

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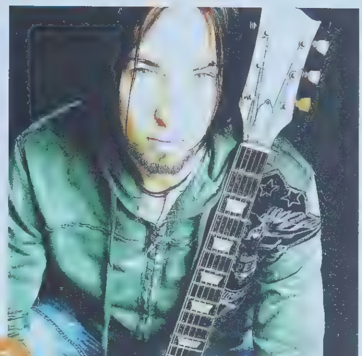

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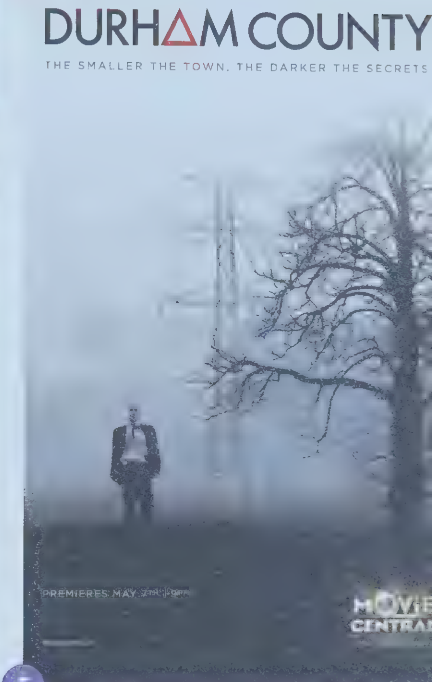

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Fugitive Pieces, and Sarah Polley's celebrated directorial debut *Away from Her*.

Corus Radio encourages Canadian talent through initiatives such as the Canadian Artists Selected By You (CASBY) Music Awards, Canada Day Jam and the Get Hammered Indie Showcase.

In Vancouver, 99.3 The FOX awarded a demo-recording deal, management consulting and tour support to up-and-coming artist Murray Atkinson, winner of the 29th annual FOX Vancouver Seeds independent music competition.

Corus continued to create outstanding original content for children with 132 new half-hour episodes of animation from Nelvana Studio and 70 new children's books from Kids Can Press.

Corus Entertainment is proud to support the talented creators who contribute to the originality and success of Canadian content, at home and around the world.

3 Murray Atkinson was chosen as the winner of the 99.3 The FOX Vancouver Seeds Program Platinum Award 4 Mélanie Watt's *Scaredy Squirrel* was a hit with readers, reviewers and juries, scoring record sales and earning prestigious awards such as the Amelia Frances Howard-Gibbon Illustrator Award and the Ontario Library Association's Blue Spruce Award, voted by elementary schoolchildren across Ontario.
5 *Durham County* takes viewers into the tangled life of Detective Mike Sweeney in Movie Central's unique drama that breaks away from the police procedural genre to explore the complexities of human behaviour.

New platforms

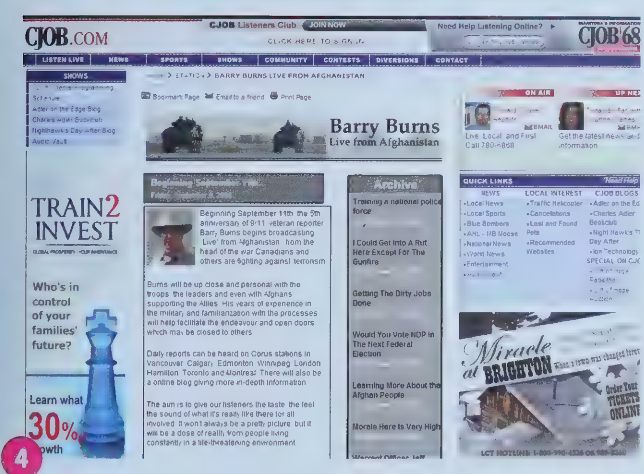
"The Innovative Storytellers Award reinforces our commitment to creating great multiplatform content."

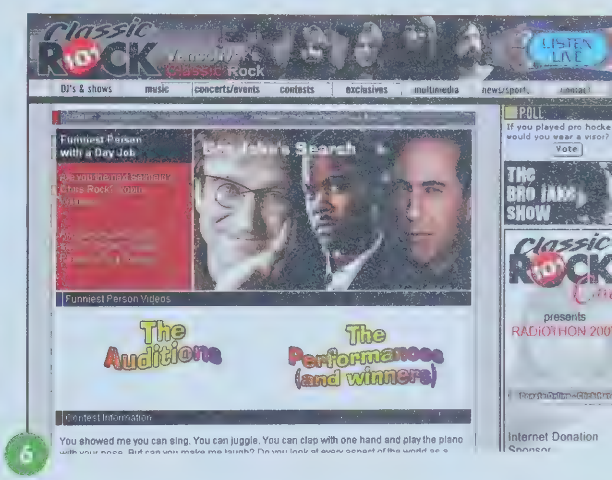
Susan Makela, Director of Program Funds and Policy, Corus Television

Syndicated programs like the *Ongoing History of New Music* and *Legends of Classic Rock*, interactive websites and 131 on-air personality blogs helped Corus Radio websites remain leaders in the industry. Corus Radio sites received more than 1.7 million unique visits each month – nearly double the number of visits logged by our largest competitor.

Corus Television maintained its online leadership as teletoon.com, treehousetv.com and YTV.com reached more users than any other Canadian kids entertainment websites, and we extended our Lifestyle, Drama and Movie brands onto new platforms. SCREAM On Demand joined our roster of popular video-on-demand and subscription VOD services, while Movie Central launched another successful high-definition channel. CMT became a leader in multiplatform entertainment, using the Internet and text messaging to

1 *The Job That Changed My Life*, Deep Sky's breakthrough campaign with workopolis.com, featured a series of 60-second vignettes with well-known Canadians. On-air content was fully integrated with online content on eight Corus stations resulting in a 20% increase in website traffic. 2 The CMT original series *The Wilkinsons* featured a unique cross-platform campaign in season two, with mini-episodes called "Wilkisodes" available online, along with bloopers, video diaries and other fan-friendly content. 3 In February 2007, TELETOON celebrated its 10th anniversary by rolling out a comprehensive re-brand, including a new on-air identity and interactive website at teletoon.com.





enable viewers to participate in shows like *Plucked*, *The Wilkinsons* season two, *Casting Call* and *Ford Friday Night Flicks*.

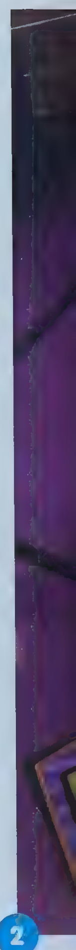
Nelvana also expanded its online presence through partnerships with Amazon Unbox, Azureus' Vuze platform and British Telecom's BT Vision Download Store.

Now Nelvana classics such as *Babar*, *Franklin the Turtle* and *Max & Ruby* are available online in markets around the world.

To help the next generation of content creators realize their potential, Corus and marblemedia joined with Ryerson University to create the Innovative Storytellers Award. Given to outstanding Ryerson graduate students, the Award will encourage the development of innovative approaches to content delivery on new media platforms.

Wherever audiences go to experience our brands, Corus Entertainment will keep making great things happen.

4 Veteran reporter Barry Burns from Winnipeg's CJOB broadcast daily reports live from Afghanistan to 10 Corus news-talk stations across Canada. Burns maintained an online blog to further share his experiences with news-talk audiences. **5** In fiscal 2007, YTV.com reached over one million unique users per month, an increase of 65%, and YTV.com's ever-changing variety of games attracted 33 million plays **6** *The Search for the Funniest Person with a Day Job* in Vancouver and Toronto showcased amateur comedians on-air and online and drove awareness and traffic to local retail sponsors who provided the venues for live on-air performances.



Philanthropy

"I am proud to work for a company that encourages and recognizes its employees for their charitable work."

Bruce Bowie, CISN Country morning show host and 2007 Corus Citizenship Award winner

Corus and our employees are proud of our efforts to make great things happen in the communities we serve.

In 2007, through Company-supported volunteer hours and donations of products, airtime and cash, Corus and its employees gave the equivalent of more than $18 million to over 520 charitable organizations nationwide.

Corus' radio stations are the voices of their communities, and they embody our commitment to enhancing the quality of life in every community we serve. Events such as Country 105's annual Cares for Kids Radiothon, The Hawk Rocks the Park three-day concert fundraiser, Corus Kingston's Annual Clothes for Kids Campaign and 630 CHED's Santas Anonymous are examples of how we harness the reach and impact of radio to support hundreds of local and national charities in cities across Canada.

1 Bruce Bowie, CISN Country in Edmonton, was the recipient of the Corus Citizenship Award. Bruce has shown unprecedented generosity and personal commitment to numerous causes, such as living on the streets of downtown Edmonton to raise awareness and almost $300,000 for the homeless 2 YTV and Boys and Girls Clubs of Canada joined forces to promote healthy, active living among kids with a *Get Your Rear in Gear* public service announcement featuring YTV's own fitness fanatic, Coach Callous.

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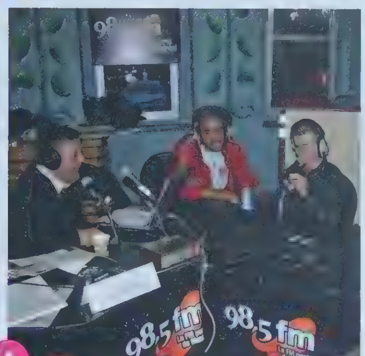

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In addition to supporting philanthropic initiatives, Corus also participated directly in efforts aimed at promoting healthy, active living to young Canadians. Programs such as *Roll Play*, *4 Square* and *The Backyardigans* encourage kids to get up and dance, sing and move.

Those healthy messages were supplemented by a public service campaign created with the Boys and Girls Clubs of Canada which featured YTV's Coach Callous. In the past three years, Corus has committed over $5 million to help promote a more healthy, balanced lifestyle for Canada's youth.

In 2007, Corus once again enjoyed a successful employee United Way campaign. We exceeded our fundraising goal, enjoyed an 18% increase in employee participation and increased special event dollars by a significant 20%.

3 Team DAVE FM from Cambridge raised over $15,000 for the Canadian Breast Cancer Foundation and was just one of the many teams across Corus who ran and walked together to show their support for this important cause. 4 All six Corus radio stations in Montreal participated in a radiothon for Sainte-Justine Hospital, one of North America's largest pediatric centres, raising $604,000 for the facility. Shown is 98,5 FM on-air host, Paul Arcand, with two radiothon supporters. 5 More than half of Corus Radio's stations participated in the Rick Hansen Wheels in Motion initiative last year, donating over half a million dollars in on-air support, radio advertising, remote broadcasts and associated promotional local event support.

Financial section

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2007, is prepared at October 31, 2007. This should be read in conjunction with the Company's August 31, 2007 annual report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Please refer to note 24 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ("U.S.") GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

Cautionary statement regarding forward-looking statements

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things: our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs, the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

Overview

Corus Entertainment Inc. ("Corus" or the "Company") commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus manages its business in three operating segments: Radio, Television and Content. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

(a) Radio

The Radio segment comprises 52 radio stations situated primarily in nine of the ten largest Canadian markets by population, and in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations. Corus is Canada's leading radio operator in terms of audience reach and tune-in.

(b) Television

The Television division comprises the following: specialty television networks YTV, W Network, Treehouse TV, Corus' 80% interest in Country Music Television Limited ("CMT"), a 50.5% interest in Telelatino, a 50% interest in TELETOON and a 20% interest in Food Network; Corus' premium television services Movie Central and Encore Avenue; interests in two digital television channels: SCREAM and Discovery Kids Canada; Corus Custom Networks, a cable advertising service; three local television stations; Max Trax, a residential digital music service; and the Nelvana production studio. Revenues for premium television and digital music services are generated from affiliate subscriber fees. Revenues for the conventional television stations and cable advertising services are derived from advertising.

The increase of Television's interest in TELETOON from 40% to 50% and the absorption of the Nelvana production studio occurred at the start of fiscal 2007. The segment results of Television for the prior year have been restated to reflect certain aspects of the change related to the Nelvana production studio. The impact of this restatement on fiscal 2006 is to increase Television's revenues and segment profit by $8.5 million and $1.1 million, respectively. For other aspects of the new business relationship between the Content and Television segments it is impracticable to restate the prior year.

(c) Content

The Content division participates in the distribution of television programs and the sale and licensing of related products and rights. Revenues are generated from licensing of television programs, merchandise licensing and publishing. For fiscal 2007, the production studio has been integrated into the Television segment.

The absorption of the Nelvana production studio into Television occurred at the start of fiscal 2007. The segment results of Content for the prior year have been restated to reflect certain aspects of this change. The impact of this restatement on fiscal 2006 is to decrease Content's revenues and segment profit by $8.5 million and $1.1 million, respectively. For other aspects of the new business relationship between the Content and Television segments it is impracticable to restate the prior year.

Annual selected financial information

The following table presents summary financial information for Corus for each of the listed years ended August 31:

(millions of Canadian dollars except percentages and per share amounts)	2007	2006	2005	% Increase (decrease) 2007 over 2006	2006 over 2005
REVENUES	**768.7**	726.3	683.1	5.8	6.3
SEGMENT PROFIT [1]	**240.9**	214.1	195.3	12.5	9.6
NET INCOME	**107.0**	35.5	71.1		
EARNINGS PER SHARE					
Basic	**$2.53**	$0.84	$1.66		
Diluted	**$2.47**	$0.82	$1.65		
Total assets	**1,937.0**	1,842.2	1,928.4		
Total long-term financial liabilities	**673.8**	666.4	660.4		
CASH DIVIDENDS DECLARED PER SHARE					
Class A Voting	**$1.00250**	$0.4525	$0.065		
Class B Non-Voting	**$1.01331**	$0.4650	$0.075		

[1] As defined in "Key performance indicators – Segment profit and segment profit margin."

Results of operations

The following tables present summary financial information for Corus' operating business segments and a reconciliation of net income to segment profit for each of the listed years ended August 31:

(millions of Canadian dollars except percentages)	2007	%[1]	2006	%[1]	2005	%[1]	% Increase (decrease) 2007 over 2006	% Increase (decrease) 2006 over 2005
REVENUES								
Radio	**275.7**	**35.9**	268.4	37.0	252.7	37.0	2.7	6.2
Television	**436.3**	**56.8**	401.9	55.3	354.2	51.9	8.6	13.5
Content	**61.3**	**8.0**	63.6	8.8	82.3	12.0	(3.6)	(22.7)
Eliminations	**(4.6)**	**(0.6)**	(7.6)	(1.0)	(6.1)	(0.9)		
	768.7	**100.0**	726.3	100.0	683.1	100.0	5.8	6.3
DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES								
Radio	**198.2**	**71.9**	200.0	74.5	183.7	72.7	(0.9)	8.9
Television	**253.8**	**58.2**	236.6	58.9	213.4	60.2	7.3	10.9
Content	**55.9**	**91.2**	59.1	92.9	78.7	95.6	(5.4)	(24.9)
Corporate	**24.8**	**3.2**	24.0	3.3	18.6	2.7	3.3	29.0
Eliminations	**(4.9)**	**(0.6)**	(7.5)	(1.0)	(6.6)	(1.0)		
	527.8	**68.7**	512.2	70.5	487.8	71.4	3.0	5.0
SEGMENT PROFIT (LOSS)[2]								
Radio	**77.5**	**28.1**	68.4	25.5	69.0	27.3	13.3	(0.9)
Television	**182.4**	**41.8**	165.3	41.1	140.8	39.8	10.3	17.4
Content	**5.4**	**8.8**	4.5	7.1	3.6	4.4	20.0	25.0
Corporate	**(24.8)**	**(3.2)**	(24.0)	(3.3)	(18.6)	(2.7)	3.3	29.0
Eliminations	**0.4**	**–**	(0.1)	–	0.5	0.1		
	240.9	**31.3**	214.1	29.5	195.3	28.6	12.5	9.6
Depreciation	**21.6**	**2.8**	21.3	2.9	23.7	3.5	1.4	(10.1)
Amortization	**1.6**	**0.2**	2.9	0.4	4.6	0.7	(44.8)	(37.0)
Interest expense	**35.8**	**4.7**	43.1	5.9	55.6	8.1	(16.9)	(22.5)
Debt refinancing loss	**–**		132.0		–			
Other expense, net	**9.8**		11.6		(5.5)			
Income before income taxes and non-controlling interest	**172.1**		3.2		116.9			
Income tax expense (recovery)	**59.8**		(36.0)		42.8			
Non-controlling interest	**5.3**		3.7		3.0			
NET INCOME FOR THE YEAR	**107.0**		35.5		71.1			

[1] Direct cost of sales, general and administrative expenses and segment profit for each business segment are expressed as a percentage of revenues for the segment. Other items are expressed as a percentage of total revenues.

[2] As defined in "Key performance indicators – Segment profit and segment profit margin."

Fiscal 2007 compared to fiscal 2006

Revenues for fiscal 2007 of $768.7 million represented a 6% increase over $726.3 million last year. Radio and Television experienced increases of 3% and 9%, respectively, while Content decreased by 4%. Please refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses for fiscal 2007 were $527.8 million, up 3% from the prior year. Expense increases in Television were the result of higher program rights and film amortization, while expenses at Content decreased as the result of lower revenues. Please refer to the discussion of segmented results for additional analysis of expenses.

Segment profit for fiscal 2007 was $240.9 million, up 13% from $214.1 million last year. The Radio segment profit of $77.5 million was up 13% from the prior year. The Television division's segment profit of $182.4 million represented a segment profit growth of 10%. The Content division generated segment profit of $5.4 million, an increase of 21% over the prior year. Segment profit as a percentage of revenues for the year ended August 31, 2007, was 31% compared to 30% in fiscal 2006.

Radio

Radio revenues for the year were $275.7 million, up 3% from the prior year. Local airtime revenues increased by 1%, while national airtime sales were up 7% from the prior year. Revenue growth for the year was experienced in all regions, with Edmonton and Toronto contributing above market average growth in the period, as indicated by the Trans-Canada Radio Advertising by Market ("TRAM") Report for the year ended August 31, 2007. The Company has taken measures to address its challenges in the Quebec market, where Corus' growth is now beginning to keep pace with the market average growth. Corus Radio believes that its assets continue to be competitively positioned to take advantage of the strong ad market in Western and Central Canada.

Direct cost of sales, general and administrative expenses for the year were $198.2 million, down 1% from $200.0 million last year. In fiscal 2007, the Company has not accrued for certain regulatory fees that are now deemed not to be payable. The expense related to these fees included in the results for fiscal 2006 is $2.9 million. If not for this adjustment, expenses for Radio would have been up 1% for the year. This increase over the prior year was due largely to a modest increase in employee-related costs. Radio incurred $3.6 million in restructuring expenses, primarily in the fourth quarter, related to the Montreal cluster. These costs are reflected in other expense, net and are excluded from segment profit.

Segment profit for the year was $77.5 million, an increase of 13% from last year. If not for the adjustment noted above, segment profit would have increased by 9% for the year. This segment profit increase represents a slight margin improvement for the Radio segment.

Television

Revenues for the year were $436.3 million, up 9% from the prior year. Revenue growth was driven by advertising revenue growth of 10% for the year and subscriber revenue growth of 8% for the year. Other ancillary revenues, primarily derived through service work in the studio, were also up in the year. Subscriber revenues in the prior year included subscriber fee adjustments of $4.7 million in the full fiscal year. The strong advertising results for fiscal 2007 were driven by double-digit revenue growth in CMT and W Network. Specialty advertising growth was 12% for the year, while total revenues from local and other television properties were down slightly from the prior year. Excluding the impact of the TELETOON acquisition, specialty advertising revenues grew by 8% for the year. Subscriber revenue growth was driven by increases across all networks. Movie Central finished the year with 883,000 subscribers, up 7% from the same time last year.

Direct cost of sales, general and administrative expenses were $253.8 million for the year, up 7% from the prior year. In fiscal 2007, the Company has not accrued for certain regulatory fees that are now deemed not to be payable. The expense related to these fees included in the results for fiscal 2006 is $1.8 million. If not for this adjustment, expenses for Television would have been up 8% for the year. The increase was primarily due to higher programming costs, as amortization of program rights and film investments and other cost of sales increased by 13% over the prior year. These costs fluctuate in proportion to changes in subscriber levels, as a result of program supply agreements and Canadian content requirements

based on the prior year's revenues, as a result of conditions of license. These increased costs were offset by effective cost containment in other general and administrative overhead. These costs were up 2% over the prior year. This increase is due to the additional 10% of TELETOON. Excluding the impact of the TELETOON acquisition, other general and administrative expenses decreased by 1% in the year. Television incurred $6.1 million in restructuring expenses, primarily in the first quarter, related to the consolidation of the Edmonton facility into the Toronto operations. These costs are reflected in other expense, net and are excluded from segment profit.

Segment profit for the year of $182.4 million represented a 10% increase over the prior year. If not for the regulatory fee adjustment noted above, segment profit would have increased 9% for the year. Of this growth for the year, 3% is due to the acquisition of an additional 10% share in TELETOON in the first quarter. Segment profit margin was 42%, up from 41% in the prior year.

Content

Revenues for the year were $61.3 million, representing a 4% decrease from the prior year. This decrease is due to the fact that under the new studio structure, first Canadian windows on studio deliveries are not made available to Content for distribution. Included in Content's revenues for the year are inter-company revenues of $4.3 million. These revenues are eliminated upon consolidation.

Direct cost of sales, general and administrative expenses for the year were $55.9 million, down 5% from the prior year. Direct cost of sales were lower than the prior year due to lower revenues, while general and administrative expenses were down due to a restructuring undertaken in the fourth quarter of fiscal 2006. During the first quarter of fiscal 2007, Content incurred an additional $0.7 million in expenses related to a restructuring of the publishing business. These costs are reflected in other expense, net and are excluded from segment profit.

Segment profit for the year was $5.4 million, up from $4.5 million last year. The Content division continues to perform in line with the Company's expectations of modest segment profit.

Corporate

The Corporate segment results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating divisions. Corporate overhead in fiscal 2007 was $24.8 million, up from $24.0 million in 2006. Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. Stock-based compensation expenses decreased to $10.2 million in fiscal 2007 from $11.6 million last year. An increase in the Company's share price in the fourth quarter last year resulted in certain incentive plan thresholds being met that had not been accrued in earlier periods. The current year reflects the impact of Corus' higher average share price since the corresponding periods of fiscal 2006. This impact has been reduced by income generated by a derivative instrument entered into in fiscal 2007 in order to offset the Company's exposure to changes in the fair value of certain obligations under the Company's PSU plan. Other general and administrative costs increased to $14.7 million in fiscal 2007 from $12.4 million last year. This increase is the result of continued investment in information technology. In addition, the prior year includes the impact of a refund in the fourth quarter related to employee benefits.

Depreciation

Depreciation expense for the year was $21.6 million, an increase of $0.3 million from last year. This fluctuation reflects the timing of capital expenditures, and the fact that depreciation and capital expenditures have remained fairly constant over the past several fiscal years.

Amortization

Amortization expense for the year was $1.6 million, down from $2.9 million last year. The decrease is a result of deferred start-up and reformatting costs becoming fully amortized. The remaining $4.1 million in deferred financing charges relating to the Company's bank facility is being amortized over the remaining life of the facility.

Interest expense

Interest expense for the year was $35.8 million, down from $43.1 million last year. The Company refinanced its debt at the end of January 2006, with the result that the Senior Subordinated Notes ("Notes"), which paid interest at an effective rate of 9.33%, were replaced with bank debt paying interest on a floating rate plus a margin. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate for fiscal 2007 was 5.4% on bank loans.

Debt refinancing loss

In the second quarter of fiscal 2006, the Company purchased and cancelled U.S.$373.6 million of the Notes. Concurrently, the cross-currency agreements which fixed the exchange rate on the principal and interest on the Notes were effectively terminated. In order to fund the purchase of the Notes, the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt refinancing loss of $132.0 million in the second quarter. The components of this loss include mark-to-market payments on the cross-currency agreement terminations, consent and tender premiums, the non-cash write-off of deferred financing charges related to the Notes and other fees. The after-tax impact of these transactions was approximately $1.95 per share.

Other expense, net

Other expense, net for the year was $9.8 million, compared to other expense, net of $11.7 million in the prior year. The current year includes restructuring charges of $10.4 million, incurred primarily in the Television segment in the first quarter and Radio segment in the fourth quarter, while the prior year includes $11.4 million in restructuring charges, incurred primarily in the Radio segment in the third quarter and Content segment in the fourth quarter. Interest income declined from $2.6 million in the prior year to $0.8 million in the current year, resulting from lower cash and cash equivalents balances.

Income taxes

The effective tax rate for 2007 was 34.7%, consistent with the Company's 35.5% statutory rate. The effective tax rate for the year reflects a benefit of $1.6 million related to a change in the long-term future tax rate. Income tax expense for the prior year was reduced by approximately $37.0 million in long-term future tax rate changes and other items in the fourth quarter.

Net income

Net income for the year was $107.0 million, as compared to $35.5 million last year. Earnings per share for the year were $2.53 basic and $2.47 diluted, compared with $0.84 basic and $0.82 diluted last year.

Fiscal 2006 compared to fiscal 2005

Revenues for fiscal 2006 were $726.3 million, up 6% from $683.1 million in fiscal 2005. Radio and Television experienced increases of 6% and 14%, respectively, while Content was down 23% compared to fiscal 2005.

Direct cost of sales, general and administrative expenses were $512.2 million, up 5% from $487.8 million in fiscal 2005. Expense increases in Television were a result of higher revenues, while increases in Radio were a result of the integration of the new stations in Quebec. Expenses at Content decreased as a result of lower revenues, while Corporate expenses increased as a result of stock-based compensation and costs incurred in the process of continually improving its infrastructure and controls.

Segment profit for fiscal 2006 was $214.1 million, up 10% from $195.3 million in fiscal 2005. The Radio segment profit of $68.4 million was down 1% from fiscal 2005, reflecting disappointing results in Quebec. The Television division's segment profit of $165.3 million represented a segment profit growth of 17%. The Content division generated segment profit of $4.5 million, an increase of 25% over fiscal 2005. Segment profit as a percentage of revenues for the year ended August 31, 2006 was 30% compared to 29% in fiscal 2005.

Radio

Radio revenues for fiscal 2006 were $268.4 million, up 6% from fiscal 2005. Local and national airtime sales each increased by 5% while interactive and other revenues also increased. According to the TRAM Report for the year ended August 31, 2006, Corus stations generated advertising growth of 5.5%, compared to total market growth of 6.5%. Above average growth was experienced in the western markets of Vancouver, Calgary and Winnipeg. Although fiscal 2006 was a challenging year in major markets like Toronto and Montreal, where Corus' growth did not keep pace with the market average growth, Corus Radio believes that its assets continue to be competitively positioned to take advantage of the strong advertising market.

Direct cost of sales, general and administrative expenses for fiscal 2006 were $200.0 million, up 9% from fiscal 2005, mainly due to increased investments in new media and programming content, principally related to professional hockey which was unavailable the previous year and contributed approximately $2.6 million in costs in fiscal 2006. In addition, expenses related to the integration of the recently acquired Quebec stations were higher than management's expectations and this combined with lower than anticipated revenue growth had a negative impact on results for fiscal 2006.

Segment profit for fiscal 2006 was $68.4 million, 1% lower than in fiscal 2005. Segment profit margin for fiscal 2006 was 25%, down from 27% in fiscal 2005. During fiscal 2006 Corus Radio incurred $4.2 million in expenses related to restructuring costs primarily in Western Canada. These costs are reflected in other expense, net.

Television

Television revenues for fiscal 2006 were $401.9 million, up 14% over fiscal 2005. Revenue growth was driven by advertising growth of 13% and subscriber growth of 10% for the year. Subscriber revenues for fiscal 2006 include subscriber fee adjustments of $4.7 million. Excluding these items, subscriber revenue growth for fiscal 2006 was 7%. The strong advertising results were driven by double-digit growth in YTV, CMT, W Network, TELETOON and Telelatino. Specialty advertising growth for fiscal 2006 was 14%, while total revenues from local and other television properties grew by 5% over fiscal 2005. Subscriber revenue growth was driven by Movie Central, which finished fiscal 2006 with 822,000 subscribers, up 10% from 748,000 at August 31, 2005. The Company attributes this increase to successful marketing campaigns surrounding high-profile HBO programming, including *Rome* and the sixth season of *The Sopranos*, which launched in March 2006.

Direct cost of sales, general and administrative expenses were $236.6 million for fiscal 2006, up 11% from fiscal 2005. The increase was primarily due to higher programming costs, as amortization of program rights increased by 10% over fiscal 2005. These costs fluctuate in proportion to changes in subscriber levels, as a result of program supply agreements, and Canadian content requirements based on the prior year's revenues, as a result of conditions of license. These increased costs were offset by effective cost containment in other general and administrative overhead, which increased by 2% over fiscal 2005, due to higher marketing costs as well as bad debt expense incurred in fiscal 2006.

Segment profit for fiscal 2006 of $165.3 million represented a 17% increase over fiscal 2005. Segment profit margin was 41%, up from 40% in fiscal 2005.

Content

Content revenues for fiscal 2006 were $63.6 million, a decrease of 23% from fiscal 2005. During fiscal 2006, Content delivered 107 completed episodes, compared to 111 episodes in the prior year. The decrease in revenues from the prior year was due to the decline in *Beyblade* revenues towards the end of fiscal 2005. The *Beyblade* decline is not likely to reverse and merchandising revenues will not return to the levels of the past few fiscal years until new brands come on line. Included in Content's revenues for fiscal 2006 are intercompany revenues of $7.1 million. These revenues are eliminated upon consolidation.

Direct cost of sales, general and administrative expenses for fiscal 2006 were $59.1 million, down 25% from the prior year. The decrease reflects ongoing diligence in expense control, as well as lower film amortization and third-party participation costs that fluctuate in proportion to revenues. In fiscal 2006, Content incurred $6.7 million in expenses related to the restructuring of the Toronto studio and the closure of foreign offices. These costs are reflected in other expense, net.

Segment profit for fiscal 2006 was $4.5 million, up from $3.6 million in fiscal 2005. The Content division continues to perform in line with the Company's expectations.

Corporate

The Corporate segment results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating divisions. Corporate overhead in fiscal 2006 was $24.0 million, up from $18.6 million in fiscal 2005. Stock-based compensation expenses increased to $11.6 million in fiscal 2006 from $6.8 million in fiscal 2005. This increase reflects the impact of Corus' higher average share price in fiscal 2006 on expenses related to the PSUs, as well as an additional year of expensing stock options. Other general and administrative costs increased to $12.4 million in fiscal 2006 from $11.8 million in fiscal 2005. This increase relates primarily to the increased cost of information technology and costs associated with implementing the requirements of the *Sarbanes-Oxley Act* and new Canadian securities standards.

Depreciation

Depreciation expense for fiscal 2006 was $21.3 million, a decrease of $2.4 million from fiscal 2005. This decrease reflects a lower capital cost base, particularly in the Television division, and continues a trend reflecting lower capital expenditures in that division in recent years.

Amortization

Amortization expense for fiscal 2006 was $2.9 million, down from $4.6 million in fiscal 2005. The decrease is a result of certain deferred start-up and reformatting costs becoming fully amortized, as well as the write-off in the second quarter of deferred financing costs associated with the Notes. The write-off of these costs has been recorded as a component of the debt restructuring loss. The remaining deferred start-up costs of $0.4 million will be fully amortized in fiscal 2007, while $5.3 million in deferred financing charges relating to the new bank facility is being amortized over the remaining life of the facility.

Interest expense

Interest expense for fiscal 2006 was $43.1 million, down from $55.6 million in fiscal 2005. The Company refinanced its debt at the end of January 2006, with the result that the Notes, which paid interest at an effective rate of 9.33%, were replaced with bank debt paying interest on a floating rate plus a margin. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate for fiscal 2006 since the refinancing was 5.2% on bank debt, compared to 9.1%, primarily on the Notes, in fiscal 2005.

Debt refinancing loss

In the second quarter of fiscal 2006, the Company purchased and cancelled U.S.$373.6 million of the Notes. Concurrently, the cross-currency agreements which fixed the exchange rate on the principal and interest on the Notes were effectively terminated. In order to fund the purchase of the Notes, the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt refinancing loss of $132.0 million in the second quarter. The components of this loss include mark-to-market payments on the cross-currency agreement terminations, consent and tender premiums, the non-cash write-off of deferred financing charges related to the Notes and other fees. The after-tax impact of these transactions in fiscal 2006 was approximately $1.95 per share.

Other expense, net

Other expense, net for fiscal 2006 was $11.7 million, representing a decrease of $17.2 million from income of $5.5 million in fiscal 2005. Fiscal 2006 includes severance-related restructuring charges of $4.2 million incurred in the Radio segment and $6.7 million incurred in the Content segment. Fiscal 2005 included foreign exchange and derivative gains of $3.3 million and $4.4 million, respectively. The financial instruments which gave rise to these gains were terminated in fiscal 2005 so there is no corresponding impact in fiscal 2006. In addition, fiscal 2005 includes a realized contingent consideration gain of $4.1 million, a broadcast license impairment of $4.1 million and the retroactive portion of a performing rights tariff increase in the amount of $3.8 million.

Income taxes

Income tax recovery for fiscal 2006 was $36.0 million on income before taxes of $3.2 million. Fiscal 2006 was positively impacted by approximately $37.0 million in long-term future tax rate changes and other items as described in note 18 to the audited consolidated financial statements.

Net income

Net income for fiscal 2006 was $35.5 million, down $35.6 million from $71.1 million in fiscal 2005. Earnings per share for fiscal 2006 were $0.84 basic and $0.82 diluted, compared with basic and diluted earnings per share of $1.66 and $1.65, respectively, in fiscal 2005. The after-tax impact of the debt refinancing transaction in fiscal 2006 was a loss of approximately $1.95 per share.

Quarterly consolidated financial information (unaudited)

The following tables set forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2007. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

(thousands of Canadian dollars except per share amounts)	Revenues	Segment profit [1]	Net income (loss)	Earnings (loss) per share Basic	Diluted
2007					
4th quarter	**187,204**	**50,184**	**21,219**	**$0.50**	**$0.49**
3rd quarter	**197,612**	**63,500**	**29,587**	**0.70**	**0.68**
2nd quarter	**174,729**	**47,320**	**19,543**	**0.46**	**0.45**
1st quarter	**209,198**	**79,917**	**36,669**	**0.87**	**0.85**
2006					
4th quarter	184,979	44,515	46,642	$1.11	$1.09
3rd quarter	181,562	57,702	23,154	0.55	0.54
2nd quarter	164,388	42,151	(65,732)	(1.54)	(1.54)
1st quarter	195,341	69,751	31,407	0.73	0.72

[1] As defined in "Key performance indicators – Segment profit and segment profit margin."

Seasonal fluctuations

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. The broadcasting businesses (Radio and Television) and the Content business each have unique seasonal aspects.

For the broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and for the second quarter tend to be the weakest, consistent with lower consumer spending in winter months.

For the Content business, operating results are dependent on the timing and number of television programs made available for delivery in the period, as well as timing of merchandising royalties received, none of which can be predicted with certainty. Consequently, Content's operating results may fluctuate significantly from quarter to quarter. Cash flows may also fluctuate and are not necessarily closely related to revenue recognition.

Significant items causing variations in quarterly results

- Net income in the fourth quarter of fiscal 2006 was positively impacted by approximately $37.0 million in income tax rate changes and other income tax items.
- The second quarter of fiscal 2006 was impacted by the purchase and cancellation of the Company's Notes, as well as the termination of the cross-currency agreements associated with the Notes. The after-tax impact of these transactions was approximately $82.6 million or $1.95 per share.

Fourth quarter

Revenues for the fourth quarter were $187.2 million, an increase of 1% over $185.0 million last year. Radio revenues for the fourth quarter were $66.5 million, essentially unchanged from the corresponding period last year. Revenue growth for the quarter was experienced in the west. Both local and national airtime sales for the fourth quarter increased by 2% over the prior, while other ancillary revenues were down. Television revenues for the fourth quarter were $104.2 million, up 8% over the corresponding period last year. Revenue growth for the quarter was driven by advertising growth of 5% and subscriber growth of 5%. Other ancillary revenues, primarily derived through service work in the studio, were also up in the quarter. Subscriber revenues for the prior year include subscriber fee adjustments of $2.3 million. Content revenues for the fourth quarter were $17.7 million, a decrease of 28% from the prior year. This decrease largely reflects timing differences, as for the full year revenues decreased by only 4%. This decrease reflects the fact that under the new studio structure, first Canadian windows on studios are not made available to Content for distribution.

Direct cost of sales, general and administrative expenses for the fourth quarter were $137.0 million, down 2% from $140.5 million in the prior year. Expense increases in Television were the result of higher program rights and film amortization, while expenses at Content decreased as the result of lower revenues. Included as a reduction of expenses in the fourth quarter is a reversal of $4.9 million in regulatory fees accrued through the fiscal year that are now deemed not to be payable. Had this accrual not been reversed in the fourth quarter, expenses would have increased by 1% for the quarter. Corporate overhead for the fourth quarter decreased to $7.4 million from $7.9 million in the prior year, reflecting lower expenses for stock-based compensation.

Depreciation expense for the fourth quarter was $5.8 million, an increase of $0.2 million from last year. This fluctuation reflects the timing of capital expenditures, and the fact that depreciation and capital expenditures have remained fairly constant over the past several fiscal years. Amortization expense for the fourth quarter was $0.3 million, down from $0.6 million last year. The decrease is a result of deferred start-up and reformatting costs becoming fully amortized. Interest expense for the fourth quarter was $8.8 million, up from $8.5 million last year. The effective interest rate for the fourth quarter was 5.5% on bank debt, compared to 5.3% in the prior year. Other expense for the fourth quarter was $2.6 million, compared to $8.3 million in the prior year. The current year's quarter includes $3.0 million in restructuring charges incurred primarily in the Radio segment, while the prior year's quarter includes $7.3 million in restructuring charges incurred primarily in the Content division. The effective tax rate for the fourth quarter was 31.2%, compared with the Company's 35.5% statutory rate. This difference reflects a benefit of $1.6 million related to a change in the long-term future tax rate.

Net income for the fourth quarter was $21.2 million, compared to $46.6 million last year. Earnings per share for the fourth quarter were $0.50 basic and $0.49 diluted, compared with $1.11 basic and $1.09 diluted last year.

Key performance indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with Canadian or U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP.

Revenue

Revenue is a measurement defined by Canadian and U.S. GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicates the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section on page 21.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2007, derived primarily from three areas: advertising (57%), subscriber fees (29%) and license fees (6%) (2006 – 58%, 28% and 5%, respectively).

Direct cost of sales, general and administrative expenses

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Cost of goods sold relating to publishing includes the material cost of the product, printing, freight, customs and duties and royalties to authors and illustrators based upon sales and is included in direct cost of sales, general and administrative expenses. Approximately 35% and 32% of consolidated direct cost of sales, general and administrative expenses in fiscal 2007 (2006 – 36% and 29%, respectively) were composed of employee remuneration and programming and film costs, respectively.

Segment profit and segment profit margin

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) interest expense; (ii) non-cash expenses such as depreciation and amortization; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as debt refinancing loss and other expense, net. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 19 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Free cash flow

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

(thousands of Canadian dollars)	**2007**	2006	2005
Cash provided by (used in):			
Operating activities	**103,073**	111,018	102,416
Investing activities	**(70,798)**	(17,249)	(21,623)
FREE CASH FLOW	**32,275**	93,769	80,793

Net debt

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

(thousands of Canadian dollars)	**2007**	2006
Long-term debt	**610,697**	596,362
Cash and cash equivalents	**(33,347)**	(43,636)
NET DEBT	**577,350**	552,726

Net debt to segment profit

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

(thousands of Canadian dollars except ratios)	**2007**	2006	2005
Net debt (numerator)	**577,350**	552,726	465,914
Segment profit (denominator)	**240,921**	214,119	195,311
NET DEBT TO SEGMENT PROFIT	**2.4**	2.6	2.4

Risks and uncertainties

Impact of regulation on Corus' results of operations

Radio and Television

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations and regulates the rates Corus may charge for its specialty television services if such services are distributed as part of the basic service by a cable distributor. In fiscal 2006, the CRTC granted a pay television license to an entity allowing it to compete with our premium television services. Corus' radio stations must also

meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*. Changes in the regulation of Corus' business activities, including decisions by the CRTC affecting Corus' operations (such as the granting or renewal of licenses, decisions as to the subscriber fees Corus may charge its customers, or the granting of additional distribution, broadcasting or programming licenses to competitors in Corus' markets) or changes in interpretations of existing regulations by courts or the CRTC could materially adversely affect Corus' business and results of operations.

In addition, in order to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television, pay television and digital audio undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming distributed by these undertakings. Under these licenses, Corus is required to pay royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collecting societies that represent the copyright owners in such music components. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

On October 19, 2006, the Federal Court of Appeal set aside the 2005 decision of the Copyright Board, dealing with the Society of Composers, Authors and Music Publishers of Canada's ("SOCAN") commercial radio tariff. The original Board decision modified the rates radio stations pay to SOCAN, introducing a two-tier payment system based on each station's annual revenues. The Court ordered that the matter be referred back to the Copyright Board for its reconsideration. It is uncertain what impact this decision will have on Corus' financial results and position.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006 the Company remitted approximately $5.0 million in Part II license fees to the CRTC. The Company has concluded that it is not appropriate to accrue for these fees in its results for fiscal 2007. The decision is subject to appeal, and the outcome of any appeal may have a detrimental impact on the future financial results of the Company.

Content

Corus licenses a significant portion of its programming to Canadian conventional television stations, specialty and premium television networks, which are required by the CRTC to devote a certain portion of their programming schedules to Canadian productions. In addition to these scheduling requirements, the CRTC generally requires Canadian specialty services to devote a certain amount of their revenues to certified Canadian programming. There can be no assurance that such policies will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to Corus as a supplier of such programs. Also, there can be no assurance that Corus programming will continue to qualify as certified Canadian programming. If Corus' programming fails to so qualify, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and, as a result, license fees paid to Corus by Canadian broadcasters would not reflect the current premium paid for certified Canadian programs and Corus would not qualify for certain Canadian tax credits and industry incentives. Canadian Heritage, the Canadian ministry that oversees the tax credits, has conducted a review of the definition of Canadian content, as it applies to film and television production, but no formal changes to the definition have been announced.

Competition

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels as revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from electronic and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems (which can offer concurrent exposure on a number of cable networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, other print media, direct mail and online computer services for radio advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television

The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC, such as the Internet and video and DVD rentals. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution, which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

Corus' pay television services are exclusive providers of premium movies and series, as well as classical movie offerings to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings.

Content

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors

are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

Risks associated with production of film and television programs and websites

Each production is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other factors, all of which can change rapidly and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, the majority of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of Content's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

The production of websites related to Corus' Television, Radio and Content brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as online games and third-party posts of content and links. Corus takes rigorous steps to ensure that procedures are in place to clear rights and to vet third-party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third-party claims.

Intellectual property rights

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights in order to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the U.S. or Canada.

Technological developments

New or alternative media technologies and business models, such as digital radio services, satellite radio, direct-to-home satellite, wireless and wired cable television, Internet programming and video programming and online publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

Interest rate and foreign exchange risk

The Company manages its exposure to floating interest rates through the use of interest rate agreements or "swaps." All such agreements are used for risk management purposes only. In order to minimize the risk of counterparty default under its swap agreements, Corus assesses the creditworthiness of its swap counterparties. Currently 100% of the Company's total swap portfolio is held by financial institutions with Standard & Poor's ratings (or the equivalent) ranging from A to AA–.

Corus has the following financial exposures to risk in its day-to-day operations:

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, as more fully described in note 12 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. The Company has entered into Canadian interest rate swap agreements to fix the interest rate of a portion of the facility.

As at August 31, 2007, 65% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

A significant portion of revenues and expenses for the Content business is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 7% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2007, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

Financial position

Total assets as at August 31, 2007, were $1.94 billion, compared to $1.84 billion as at August 31, 2006. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2006.

Current assets increased by $21.1 million. Cash and cash equivalents decreased by $10.3 million. The Company generated positive free cash flow, which was offset by cash used in financing activities. Accounts receivable increased by $8.4 million from year end; however, as expected, the balance decreased from $166.1 million at the end of the third quarter. The accounts receivable balance typically grows in the first and third quarter as a result of the broadcast revenue cycle.

Non-current assets increased by $73.7 million. Tax credits receivable increased as a result of accruals related to film production, offset by tax credit receipts. Investments and other assets decreased by $12.2 million, primarily due to the sale of shares in Astral Media Inc. Capital assets and deferred charges did not change significantly from their year-end balances. Program and film rights (current and non-current) increased by $31.7 million, as additions of acquired rights of $158.5 million and $6.6 million acquired in the TELETOON acquisition were offset by amortization of $138.7 million. Program rights increased due to the acquisition of programming for the fall launch and increases in condition of license requirements due to revenue growth. Film investments increased by $5.8 million as net film spending of $56.1 million was offset by film amortization and accruals for tax credits. Broadcast licenses increased by $27.6 million and goodwill increased by $39.1 million as a result of the TELETOON acquisition in the first quarter and the acquisition of two radio stations in the fourth quarter.

Current liabilities increased by $2.5 million. Accounts payable and accrued liabilities increased by $5.6 million and income taxes payable decreased by $3.1 million. Accounts payable and accrued liabilities related to working capital increased by $1.0 million, while non-working capital accruals for program rights and film investments increased by $6.6 million, as the Company invests in television programming. Dividends payable decreased by $2.0 million. Income taxes payable decreased due to the timing of income tax installments.

Non-current liabilities increased by $33.9 million. Long-term debt increased by $14.3 million, as the Company used its credit facility to finance the TELETOON acquisition in the first quarter. Other long-term liabilities decreased by $6.7 million primarily due to the payment of public benefit liabilities. Other components of long-term liabilities, which consist primarily of the long-term portion of program rights payable, did not change significantly from the prior year. Net future tax liability (including current future tax asset) increased by $23.4 million due to the TELETOON acquisition, as well as the utilization of tax loss carry-forwards.

Share capital increased by $11.7 million as a result of the exercise of employee stock options, offset by the repurchase and cancellation of shares with a book value of $16.2 million under the Company's normal course issuer bid. Contributed surplus increased by $3.4 million as a result of expensing stock-based compensation for the period. Cumulative translation adjustment increased by $0.6 million due to the translation of the net assets of self-sustaining foreign operations.

Liquidity and capital resources

Cash flows

Overall, the Company's cash and cash equivalents position has decreased by $10.3 million in fiscal 2007, compared to a decrease of $94.5 million in the prior year. Positive free cash flow, including business combinations, for fiscal 2007 is $32.3 million compared to $93.8 million in the prior year. This decrease is due primarily to the $46.6 million acquisition of an additional 10% interest in TELETOON in the first quarter of fiscal 2007 and the acquisition of two radio stations for $18.0 million in the fourth quarter. After adding back the cost of these business combinations, free cash flow in fiscal 2007 is $97.0 million, which was within the Company's stated guidance range.

Cash provided by operating activities in fiscal 2007 is $103.1 million, compared to $111.0 million last year. This decrease is a result of higher payments for program rights and film investments in the current year. This has been offset by lower interest payments on the new bank facility.

Cash used in investing activities in fiscal 2007 is $70.8 million, compared to cash used of $17.2 million last year. The current year includes $64.7 million in cash outflow related to the TELETOON acquisition and the acquisition of two radio stations. The current year also includes $20.7 million in proceeds from the sale of other investments and assets, compared to $15.9 million in the prior year. Proceeds in the current year include $14.6 million from the sale of shares of Astral Media Inc. Capital expenditures are $3.3 million lower than in the prior year, as the Company looks to minimize capital expenditures ahead of its move to the Toronto waterfront development.

Cash used in financing activities in fiscal 2007 is $42.6 million compared to cash used of $188.2 million in the prior year. The prior year included the refinancing of long-term debt and the unwinding of the associated cross-currency swap agreements. In the current year, the Company drew on its credit facility in order to finance the TELETOON acquisition in the first quarter. The Company continued purchasing its own shares under a normal course issuer bid that began in the second quarter of fiscal 2006. To the end of fiscal 2007, 769,100 shares had been purchased at an average price of $47.36 per share for cash consideration of $36.4 million. The exercise of employee stock options resulted in $26.9 million in cash receipts, while $44.8 million in dividends were paid.

Liquidity

As at August 31, 2007, the Company has available $185.0 million under a revolving term credit facility that matures on January 24, 2011. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

These borrowings combined with cash generated from operations have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights for the Television business and to produce and acquire film assets for the Content business. For the past three years, these expenditures have been financed from cash generated from operations. The Company has no significant commitments related to the acquisition of property, plant and equipment for the upcoming fiscal year. The Company will incur capital costs related to the Toronto waterfront lease signed in fiscal 2007. However, these costs will not be incurred until towards the end of fiscal 2009. Over the past three fiscal years, the Company has reduced its investment in non-cash working capital.

As at August 31, 2007, the Company has a cash balance of $33.3 million and a working capital balance of $94.1 million. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for fiscal 2008.

Net debt to segment profit

As at August 31, 2007, net debt was $577.4 million, up from $552.7 million as at August 31, 2006. This increase in net debt is a result of the cash flows incurred to acquire 10% of TELETOON in the first quarter. Net debt to segment profit as at August 31, 2007, was 2.4 times, down from 2.6 times as at August 31, 2006. This ratio remains below management's stated guidance range of 3.0 to 3.5 times.

Off-balance sheet arrangements and derivative financial instruments

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company uses derivative financial instruments to manage risks from fluctuations in interest rates. These instruments include interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. The carrying value of derivative financial instruments that do not qualify for hedge accounting is adjusted to reflect their current market value.

During fiscal 2006, the Company entered into Canadian interest rate swap agreements to fix the interest rate on its outstanding bank loans. The estimated fair value of these agreements at August 31, 2007, is $8.8 million. No asset has been included in the consolidated balance sheets.

During fiscal 2007, the Company entered into a derivative instrument in order to offset its exposure to changes in the fair value of units issued under its PSU plan. As this derivative does not qualify for hedge accounting, the fair value of $0.5 million for this derivative has been included as a liability in the consolidated balance sheet as at August 31, 2007.

As at August 31, 2005, the consolidated balance sheet included a liability of $158.8 million related to a cross-currency agreement. Corus terminated this agreement in the second quarter of fiscal 2006 as part of the refinancing of its debt. The fair value of the liability at the date of its termination was included in the debt refinancing loss recorded in the second quarter of fiscal 2006.

Contractual commitments

Corus has the following contractual obligations:

(thousands of Canadian dollars)	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	615,000	–	–	615,000	–
Operating leases	296,407	25,880	40,234	31,792	198,501
Film and program rights purchase commitments	263,188	107,582	119,639	35,967	–
Other long-term obligations	17,769	3,314	6,108	5,812	2,535

Transactions with related parties

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $104.4 million (2006 – $92.8 million), production and distribution revenue of $3.5 million (2006 – $2.9 million) and administrative and other fees of $5.0 million (2006 – $6.0 million) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4.5 million (2006 – $4.4 million) and administrative and other fees of $2.6 million (2006 – $2.1 million) to related parties. As at August 31, 2007, the Company had $19.3 million (2006 – $17.4 million) receivable from related parties.

The Company provided related parties with radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

In fiscal 2005, Corus acquired a cable advertising business for $0.9 million in cash from Shaw, a company subject to common voting control.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2007, was $1.7 million.

Outstanding share data

As at October 31, 2007, 1,722,929 Class A Voting Shares and 40,260,173 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

Recent accounting pronouncements

Financial instruments, comprehensive income and hedges

In April 2005, the CICA issued Handbook Section 1530, "Comprehensive Income," Handbook Section 3855, "Financial Instruments – Recognition and Measurement," and Handbook Section 3865, "Hedges." Section 3855 expands on CICA Handbook Section 3860, "Financial Instruments – Disclosure and Presentation," by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how instrument gains and losses are to be presented. Section 3865 is optional. It provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes and specifies how hedge accounting is applied and what disclosures are necessary when it is applied. Section 1530 introduced a new requirement to present temporarily certain gains and losses outside net income in a new component of shareholders' equity entitled Comprehensive Income. These standards are substantially harmonized with U.S. GAAP and are effective for the Company beginning September 1, 2007. The Company is currently evaluating the impact of these standards on its consolidated financial position and results of operations.

Financial instruments – disclosures and presentation

In December 2006, the CICA issued Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation." These standards enhance existing disclosures in previously issued Section 3861 "Financial Instruments – Disclosures and Presentation." Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same 39 presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007, on a prospective basis. The Company will adopt these new standards effective September 1, 2008.

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures." This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007, on a prospective basis. The Company will adopt this new standard effective September 1, 2008.

Critical accounting estimates

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

Film investments

The Company accounts for its production and distribution of film and television programs in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 requires that film and television costs of production and acquisitions are amortized using the individual-film-forecast-computation method. Under this method, capitalized costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's

estimates of the total revenue expected to be received from such film or television program over a period not to exceed ten years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

Broadcast licenses and goodwill

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses, or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The key assumptions used in the test include forecasted segment profit and industry multiples. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets. In fiscal 2006, the Company recorded $11.8 million in income tax recoveries related to the impact of income tax rate reductions on the measurement of future tax liabilities.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit. In fiscal 2006, the Company recorded an income tax recovery of $25.2 million relating to future tax liabilities that were deemed in that period to be no longer required as the result of various tax planning strategies.

Investments

The Company's consolidated balance sheets contain balances related to investments carried at historical cost. In certain cases, quoted market value has been lower than cost for several years. In each case, management believes that persuasive evidence exists to indicate that the financial condition and near-term prospects of the issuer are not impaired and that the Company has the intent and ability to retain its investment in the issuer until anticipated recovery in market value occurs. Therefore, management believes that the declines in market value are not other-than-temporary, and no writedown is required. No assurance can be given that a recovery will occur, and the prospect of a writedown some time in the future remains present.

Production tax credits

The Company's consolidated balance sheets contain balances related to production tax credits received or receivable from federal and provincial government agencies. Tax credits are claimed based on the expectation of meeting eligibility requirements and amounts may be subject to estimation and interpretation. Claims are subject to audit by federal and provincial authorities, and no assurances can be given that amounts received or receivable will not be disallowed. Such a disallowance may have an impact on the net unamortized cost of completed films, and result in higher film amortization expense.

Controls and procedures

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, Corus' Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in Corus' annual filings (as defined in Multilateral Instrument 52-109) with the provincial securities legislation.

As Corus is a foreign private issuer listed on the New York Stock Exchange, similar certifications by Corus' Chief Executive Officer and Chief Financial Officer are required by Section 302(a) of the *Sarbanes-Oxley Act of 2002* related to information in Corus' annual report on Form 40-F.

Evaluation of disclosure controls and procedures

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that material information with respect to Corus, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of Corus' disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits to the provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 and in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934*, as amended (the "Exchange Act")), have concluded that, as at August 31, 2007, the Company's disclosure controls and procedures were effective.

Management's annual report on internal control over financial reporting

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). In addition, Corus' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Corus' assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at August 31, 2007, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, Corus' management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at August 31, 2007, based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

Attestation report of the registered public accounting firm

Ernst & Young LLP, an independent registered public accounting firm, who has audited, and reported on, the Company's consolidated financial statements for the year ended August 31, 2007, as included in this annual report, has also issued a report, under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States), on the operating effectiveness of internal control over financial reporting as at August 31, 2007.

Changes in internal controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

The accompanying consolidated financial statements of Corus Entertainment Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has continued to improve and document the design and operating effectiveness of internal control over external financial reporting. The results of management's work have been subjected to audit by the shareholders' auditors. As at year end, we have determined that internal control over financial reporting is effective and Corus Entertainment Inc. has achieved compliance with the requirements set by the U.S. Securities and Exchange Commission ("SEC") under Section 404 of the U.S. *Sarbanes-Oxley Act* ("SOX"). In compliance with Section 302 of SOX, Corus Entertainment Inc.'s Chief Executive Officer and Chief Financial Officer provided to the SEC a certification related to Corus Entertainment Inc.'s annual disclosure document in the U.S. (Form 40-F). The same certification was provided to the Canadian Securities Administrators.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

John M. Cassaday
President and Chief Executive Officer

Thomas C. Peddie FCA
Senior Vice President and Chief Financial Officer

To the shareholders of Corus Entertainment Inc.

We have audited the consolidated balance sheets of **Corus Entertainment Inc.** as at August 31, 2007 and 2006, and the consolidated statements of income and retained earnings and cash flows for each of the years in the three-year period ended August 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2007, in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Corus Entertainment Inc.'s internal control over financial reporting as of August 31, 2007, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 21, 2007, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
November 21, 2007

The Board of Directors of Corus Entertainment Inc.

We have audited **Corus Entertainment Inc.'s** internal control over financial reporting as of August 31, 2007, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Corus Entertainment Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's responsibility for financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Corus Entertainment Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2007, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Corus Entertainment Inc. as at August 31, 2007 and 2006, and the related consolidated statements of income and retained earnings, and cash flows for each of the years in the three-year period ended August 31, 2007, and our report dated November 21, 2007, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
November 21, 2007

As at August 31 (thousands of Canadian dollars)	2007	2006
Assets (note 12)		
CURRENT		
Cash and cash equivalents	**33,347**	43,636
Accounts receivable (notes 5 and 27)	**151,380**	142,934
Prepaid expenses and other	**10,921**	7,332
Program and film rights	**125,068**	104,723
Future tax asset (note 18)	**13,518**	14,535
TOTAL CURRENT ASSETS	**334,234**	313,160
Tax credits receivable	**16,875**	13,226
Investments and other assets (note 6)	**17,492**	29,642
Property, plant and equipment, net (note 7)	**78,342**	78,417
Program and film rights	**90,687**	79,380
Film investments (note 8)	**66,593**	60,779
Deferred charges (note 9)	**4,100**	5,655
Broadcast licenses (note 10)	**532,812**	505,212
Goodwill (note 10)	**795,832**	756,738
	1,936,967	1,842,209
Liabilities and shareholders' equity		
CURRENT		
Accounts payable and accrued liabilities (notes 11 and 27)	**166,083**	160,470
Income taxes payable	**1,474**	4,583
TOTAL CURRENT LIABILITIES	**167,557**	165,053
Long-term debt (note 12)	**610,697**	596,362
Other long-term liabilities (note 13)	**64,773**	71,470
Future tax liability (note 18)	**102,851**	80,447
Non-controlling interest	**15,196**	11,379
TOTAL LIABILITIES	**961,074**	924,711
SHAREHOLDERS' EQUITY		
Share capital (note 14)	**882,244**	870,563
Contributed surplus (note 15)	**10,250**	6,878
Retained earnings	**95,568**	51,585
Cumulative translation adjustment (note 23)	**(12,169)**	(11,528)
TOTAL SHAREHOLDERS' EQUITY	**975,893**	917,498
	1,936,967	1,842,209

Commitments, contingencies and guarantees (notes 12 and 26)

See accompanying notes

Heather Shaw

On behalf of the Board: Director Director

Years ended August 31 (thousands of Canadian dollars except per share amounts)	**2007**	2006	2005
REVENUES (notes 25 and 27)	**768,743**	726,270	683,069
Direct cost of sales, general and administrative expenses (notes 14, 20, 23, 26 and 27)	**527,822**	512,151	487,758
Depreciation	**21,556**	21,302	23,710
Amortization	**1,555**	2,872	4,577
Interest expense (notes 12 and 16)	**35,838**	43,105	55,561
Debt refinancing loss (note 12)	**–**	131,951	–
Other expense, net (notes 6, 10, 11, 17 and 23)	**9,800**	11,667	(5,494)
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**172,172**	3,222	116,957
Income tax expense (recovery) (note 18)	**59,813**	(36,005)	42,810
Non-controlling interest	**5,341**	3,756	3,033
NET INCOME FOR THE YEAR	**107,018**	35,471	71,114
Retained earnings (deficit), beginning of year	**51,585**	50,802	(17,122)
Dividends (note 14)	**(42,842)**	(19,586)	(3,190)
Share repurchase excess (note 14)	**(20,193)**	(15,102)	–
RETAINED EARNINGS, END OF YEAR	**95,568**	51,585	50,802
EARNINGS PER SHARE (note 21)			
Basic	**$2.53**	$0.84	$1.66
Diluted	**$2.47**	$0.82	$1.65
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)			
Basic	**42,281**	42,461	42,761
Diluted	**43,328**	43,247	43,095

See accompanying notes

Years ended August 31 (thousands of Canadian dollars)	2007	2006	2005
Operating activities			
Net income for the year	**107,018**	35,471	71,114
Add (deduct) non-cash items			
Depreciation	**21,556**	21,302	23,710
Amortization of program and film rights	**138,711**	124,327	110,630
Amortization of film investments	**38,781**	39,450	43,693
Other amortization	**1,555**	2,872	4,577
Future income taxes	**16,295**	(74,232)	8,601
Non-controlling interest	**5,341**	3,756	3,033
Stock-based compensation	**13,066**	12,137	6,766
Debt refinancing loss	**–**	131,951	–
Other	**849**	3,078	(148)
Net change in non-cash working capital balances related to operations (note 22)	**(27,810)**	(9,898)	2,235
Payment of program and film rights	**(156,220)**	(134,751)	(122,368)
Net additions to film investments	**(56,069)**	(44,445)	(49,427)
CASH PROVIDED BY OPERATING ACTIVITIES	**103,073**	111,018	102,416
Investing activities			
Additions to property, plant and equipment	**(20,287)**	(23,598)	(19,217)
Business combinations (note 3)	**(64,692)**	–	–
Net proceeds from sale of other investments and assets	**20,679**	15,943	7,487
Decrease in public benefits associated with acquisitions	**(6,498)**	(9,594)	(9,893)
CASH USED IN INVESTING ACTIVITIES	**(70,798)**	(17,249)	(21,623)
Financing activities			
Increase (decrease) in bank loans	**14,388**	592,687	(34,017)
Notes repurchase and swap termination	**(634)**	(727,829)	–
Additions to deferred charges	**–**	(6,000)	(832)
Decrease in other long-term liabilities	**(676)**	(648)	(820)
Issuance of shares under stock option plan	**26,915**	5,981	1,650
Shares repurchased	**(36,422)**	(36,789)	–
Dividends paid	**(44,845)**	(10,547)	(3,190)
Dividends paid to minority shareholder	**(1,524)**	(5,304)	(937)
Other	**234**	230	208
CASH USED IN FINANCING ACTIVITIES	**(42,564)**	(188,219)	(37,938)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(10,289)**	(94,450)	42,855
Cash and cash equivalents, beginning of year	**43,636**	138,086	95,231
CASH AND CASH EQUIVALENTS, END OF YEAR	**33,347**	43,636	138,086

Supplemental cash flow disclosures (note 22)

See accompanying notes

August 31, 2007, 2006 and 2005
(thousands of Canadian dollars except share information)

Note 1. Basis of presentation

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto and New York Stock Exchanges.

Note 2. Significant accounting policies

The consolidated financial statements have been prepared by management on the historical cost basis in accordance with Canadian generally accepted accounting principles ("GAAP"). The effects of differences between the application of Canadian and U.S. GAAP on the consolidated financial statements of the Company are described in note 24.

Basis of consolidation

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited (80% interest), Telelatino Network Inc. (50.5% interest), Discovery Kids Canada (53.6% interest) and SCREAM (51% interest), as well as its proportionate share of the accounts of its joint ventures. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs, provisions for doubtful accounts to reflect credit exposures, valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates.

Revenue recognition

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

Revenues from the sale of books are recognized at the time of shipment, net of an estimated provision for returns. Revenues from the sale of subsidiary book rights, when determinable, are recorded on an accrual basis. When amounts are not determinable, amounts are recorded on receipt of funds. Grants for specific projects are recognized as revenue when the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase.

Investments

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Investments in joint ventures and partnerships that the Company jointly controls are accounted for using the proportionate consolidation method of accounting. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other-than-temporary has occurred.

Acquisitions subject to Canadian Radio-television and Telecommunications Commission ("CRTC") approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	lease term
Buildings	20–40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4–10 years

Program and film rights

Program and film rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using a discount rate that approximates the Company's weighted average cost of capital. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at the lower of cost less accumulated amortization and net recoverable amount.

Amortization of program and film rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

Film investments

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and investments in third-party-produced film projects. Such costs include development and production expenditures and attributable studio and other costs that are expected to benefit future periods.

The Company accounts for its film investments in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2").

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the ratio that current period revenue bears to management's estimate of total gross revenue ("ultimate revenue") to be realized from the series or program. Ultimate revenue is projected for periods not exceeding ten years from the date of delivery or acquisition. For episodic television series, SOP 00-2 requires that ultimate revenue includes estimates of revenue over a period not to exceed ten years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to direct cost of sales. Projects are written off at the earlier of the date determined not to be recoverable or when projects under development are abandoned, and three years from the date of the initial investment.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and estimated net realizable value as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

Investments in third-party-produced film projects are carried at the lower of cost and estimated net realizable value.

Amortization of film investments is included in direct cost of sales, general and administrative expenses.

Deferred charges

Financing costs and credit facility arrangement fees are amortized to income on a straight-line basis over the term of the debt facility.

Deferred charges are carried at the lower of cost less accumulated amortization and net recoverable amount.

Broadcast licenses and goodwill

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it performs its annual impairment test.

Government financing and assistance

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fees and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity investments is recorded as a reduction in film investments.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred.

Deferred credits

Deferred credits include (i) a provision for contributions to Canadian broadcasting initiatives that must be made by a purchaser of specialty television, pay television and radio undertakings in accordance with CRTC policies ("public benefits associated with acquisitions") associated with acquiring radio and television businesses that will be drawn down when the Company makes eligible payments toward meeting the conditions of license; (ii) unearned revenue from the distribution and licensing of rights for feature films and television programs; and (iii) other items that meet the criteria for deferral.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Foreign currency translation

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are deferred as a separate component of shareholders' equity.

For integrated foreign operations, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income for the year.

Long-term debt denominated in U.S. dollars is translated into Canadian dollars at the year-end rate of exchange. Exchange gains or losses on translating long-term debt that qualifies for hedge accounting are offset against the corresponding exchange gains or losses arising on the cross-currency agreements.

Other exchange gains and losses are included in net income for the year.

Financial instruments and hedging relationships

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments may include cross-currency and interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are offset against the corresponding exchange gains or losses on the hedged item. The carrying values of derivative financial instruments that do not qualify for hedge accounting are adjusted to reflect their current market value.

Stock-based compensation and other stock-based payments

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options is determined using the treasury stock method.

Impairment of long-lived assets

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

Note 3. Business combinations

In the first quarter of fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON, to increase its ownership interest in this television network from 40% to 50%. The total cash consideration paid was $46.6 million. This investment will continue to be accounted for as a joint venture, and as such the net assets acquired and results of operations are proportionately consolidated from the date of acquisition.

In the fourth quarter of fiscal 2007, the Company completed the acquisition of two radio stations. The total cash consideration paid was $18.0 million. The Company has not yet finalized the valuation of intangible assets for the purpose of allocating the purchase cost of this acquisition.

The final TELETOON purchase equation and preliminary radio stations purchase equation, which were accounted for using the purchase method, are summarized below:

	TELETOON	Radio	Total
CONSIDERATION GIVEN:			
Cash	46,645	18,047	64,692
ASSIGNED VALUE OF NET ASSETS ACQUIRED:			
Current assets	1,473	1,307	2,780
Property, plant and equipment	48	1,346	1,394
Program and film rights	6,555	–	6,555
Investments and other assets	–	2,000	2,000
Broadcast licenses	22,000	5,600	27,600
Goodwill	28,586	10,508	39,094
Accrued liabilities	(4,890)	(1,330)	(6,220)
Deferred credits	–	(1,384)	(1,384)
Future tax liability	(7,127)	–	(7,127)
	46,645	18,047	64,692

Note 4. Joint ventures

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

	2007	2006
CONSOLIDATED BALANCE SHEETS		
Current assets	**32,593**	29,869
Long-term assets	**28,370**	19,114
Current liabilities	**32,179**	22,440
Long-term liabilities	**225**	–
CONSOLIDATED STATEMENTS OF INCOME		
Revenues	**52,748**	40,297
Expenses	**36,484**	29,610
NET INCOME	**16,264**	10,687
CONSOLIDATED STATEMENTS OF CASH FLOWS		
Operating activities	**12,769**	8,129
Investing activities	**1,102**	1,059

Note 5. Accounts receivable

	2007	2006
Trade	**143,718**	137,126
Other (note 27)	**10,534**	8,901
	154,252	146,027
Less allowance for doubtful accounts	**2,872**	3,093
	151,380	142,934

Note 6. Investments and other assets

	2007	2006
Astral Media Inc. **(a)**	**–**	13,861
Investments at equity	**10,057**	9,768
Other **(b)**	**7,435**	6,013
	17,492	29,642

(a) Astral Media Inc.

In fiscal 2007, the Company disposed of its shares in Astral Media Inc. for proceeds of $14,568. The Company recorded a gain of $707 on this disposal, which was recorded in other expense, net.

(b) Other investments

Other investments consist primarily of financing provided to the Company's digital channels, long-term portion of loans to executive officers (note 27) and other investments accounted for on a cost basis.

Note 7. Property, plant and equipment, net

2007	Cost	Accumulated amortization	Net book value
Broadcasting equipment	**38,135**	**26,575**	**11,560**
Production equipment	**95,009**	**80,402**	**14,607**
Leasehold improvements	**38,856**	**23,657**	**15,199**
Buildings	**23,262**	**9,992**	**13,270**
Computer equipment	**56,867**	**45,812**	**11,055**
Furniture and fixtures	**22,456**	**19,380**	**3,076**
Land	**6,814**	**–**	**6,814**
Other	**4,539**	**1,778**	**2,761**
	285,938	**207,596**	**78,342**

2006	Cost	Accumulated amortization	Net book value
Broadcasting equipment	35,005	24,121	10,884
Production equipment	89,660	75,779	13,881
Leasehold improvements	38,580	22,787	15,793
Buildings	23,094	9,143	13,951
Computer equipment	49,666	37,917	11,749
Furniture and fixtures	21,752	18,112	3,640
Land	6,814	–	6,814
Other	4,216	2,511	1,705
	268,787	190,370	78,417

Note 8. Film investments

	2007	2006
Projects in development and in process, net of advances	**22,772**	21,654
Completed projects and distribution rights	**28,874**	28,721
Investments in third-party-produced film projects	**14,947**	10,404
	66,593	60,779

During fiscal 2007, the Company reduced its investments in film and television programs by anticipated federal and Ontario production tax credits amounting to $16,213 (2006 – $11,292).

The Company expects that 29% and 68% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2008, and three years ending August 31, 2010, respectively. It is estimated that at least 80% will be amortized within four years.

The Company expects that $2,837 of accrued participation liabilities will be paid during the year ending August 31, 2008.

Note 9. Deferred charges

2007	Cost	Accumulated amortization	Net book value
Financing costs and credit facility arrangement fees	**6,000**	**1,900**	**4,100**

2006	Cost	Accumulated amortization	Net book value
Financing costs and credit facility arrangement fees	6,000	700	5,300
Start-up costs of new specialty programming networks	5,264	4,909	355
	11,264	5,609	5,655

Note 10. Broadcast licenses and goodwill

At August 31, 2007, 2006 and 2005, the Company performed its annual impairment test of broadcast licenses and goodwill and determined that there was no impairment for the years ended August 31, 2007 and 2006. For the year ended August 31, 2005, the Company determined that there was an impairment of $4,108 in the broadcast licenses related to three radio stations. This impairment charge is included in other expense, net.

To determine the amount of impairment, management uses a fair value methodology based on market transaction multiples for comparable businesses applied to forecasted operating income used to evaluate the reporting units' performance. Estimates of forecasted operating income involve measurement uncertainty and it is therefore possible that reductions in the carrying value of broadcast licenses and goodwill may be required as a result of changes in management's future revenue estimates. Actual results may differ from estimates and as a consequence a material impairment charge may be recorded.

During fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON and the acquisition of two radio stations. The impact of these transactions was to increase broadcast licenses by $27,600 and increase goodwill by $39,094.

Note 11. Accounts payable and accrued liabilities

	2007	2006
Trade accounts payable and accrued liabilities **(a)**	**82,270**	81,315
Program rights payable	**75,081**	68,250
Film investment accruals	**1,696**	1,866
Dividends payable	**7,036**	9,039
	166,083	160,470

(a) Restructuring provision

In fiscal 2006, the Company recorded restructuring expenses of $11,433 in the Radio and Content segments related primarily to severance and other restructuring activities. In fiscal 2007, the Company recorded an additional $10,393 in restructuring expenses, related primarily to severance and other restructuring activities in the Television segment in the first quarter, and severances in the Montreal radio cluster in the fourth quarter. These costs are included in other expense, net. To date, $18,075 has been paid in respect of these provisions, and as at August 31, 2007, $3,751 remains unpaid. The Company anticipates that these provisions will be substantially paid in fiscal 2008.

Note 12. Long-term debt

	2007	2006
Senior Subordinated Notes translated at the current rate **(a)**	–	601
Bank loans **(b)**	**610,697**	595,761
	610,697	596,362

(a) Senior Subordinated Notes

On March 7, 2002, Corus issued U.S.$375,000 aggregate principal amount of 8.75% Senior Subordinated Notes (the "Notes") due in 2012 at a price of 99.186% of their aggregate principal amount. The Company entered into cross-currency agreements to fix the liability for interest and principal payments on the Notes. The agreements resulted in an effective interest rate of 9.33% on the Canadian dollar equivalent of the U.S. debt. The exchange rate applicable to the principal portion of the debt has been fixed at Cdn.$1.6107, translating to approximately Cdn.$604,000.

On December 15, 2005, the Company commenced a cash tender offer and consent solicitation for its Notes. On January 23, 2006, the Company completed its tender offer for the Notes, and as a result U.S.$373,646 of the Notes were acquired by the Company and cancelled, leaving U.S.$1,354 outstanding. Concurrently, the cross-currency agreements were effectively terminated. The remaining Notes were acquired through the remainder of fiscal 2006 and fiscal 2007, and as at August 31, 2007, no Notes remain outstanding.

(b) Bank loans

In order to fund the purchase of the Notes, the Company's credit facility with a syndicate of banks was amended and its operating loan facility was terminated. The amendment resulted in an extension of the maturity of the credit facility to January 24, 2011. The amount committed is $800,000, of which $300,000 is available on a revolving basis (the "Revolving Facility") and $500,000 on a non-revolving basis (the "Term Facility"), and is repayable at maturity. Funds are available to the Company in both Canadian and U.S. dollars and charge interest on a fluctuating basis plus a margin. Other terms of the amended credit facility are substantially similar to the prior credit facility. As at August 31, 2007, $115,000 of the Revolving Facility and all of the Term Facility were utilized in Canadian dollars.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at August 31, 2007, the weighted average interest rate on the outstanding bank loans was 5.9%. The Company has entered into Canadian interest rate swap agreements to fix the interest rate at 4.13% plus a margin on $400,000 of the Term Facility for the full term of the facility. Interest on the bank loans averaged 5.4% for the year ended August 31, 2007 (2006 – 5.2%).

The above transactions resulted in the Company recording a $131,951 debt refinancing loss in fiscal 2006. The components of this loss include mark-to-market payments on the cross-currency agreement termination, consent and tender premiums, the write-off of deferred financing charges and underwriting and other fees.

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. As well, unlimited guarantees are provided by certain subsidiaries. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2007.

Note 13. Other long-term liabilities

	2007	2006
Public benefits associated with acquisitions	**7,200**	11,615
Unearned revenue from distribution and licensing of film rights	**9,403**	11,415
Program rights payable	**32,079**	31,389
Stock-based compensation obligation	**4,947**	6,212
Other	**11,144**	10,839
	64,773	71,470

Note 14. Share capital

Authorized

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2005, are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
BALANCE, AUGUST 31, 2005	1,724,929	26,715	41,078,119	859,196	885,911
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,000)	(15)	1,000	15	–
Issuance of shares under Stock Option Plan	–	–	237,110	6,109	6,109
Shares repurchased	–	–	(1,034,700)	(21,687)	(21,687)
Repayment of executive stock purchase loans	–	–	–	230	230
BALANCE, AUGUST 31, 2006	1,723,929	26,700	40,281,529	843,863	870,563
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,000)	(16)	1,000	16	–
Issuance of shares under Stock Option Plan	–	–	998,868	27,676	27,676
Shares repurchased	–	–	(769,100)	(16,229)	(16,229)
Repayment of executive stock purchase loans	–	–	–	234	234
BALANCE, AUGUST 31, 2007	**1,722,929**	**26,684**	**40,512,297**	**855,560**	**882,244**

Stock Option Plan

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The maximum number of shares that can be reserved for issuance under the Plan is 4,084,642. All options granted are for terms not to exceed ten years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the options outstanding as at August 31, 2007, and the changes since August 31, 2005, is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
OUTSTANDING, AUGUST 31, 2005	3,438,489	27.49
Granted	272,000	32.39
Forfeited	(43,737)	30.62
Exercised	(237,110)	25.23
OUTSTANDING, AUGUST 31, 2006	3,429,642	28.00
Forfeited	(44,023)	32.60
Exercised	(998,868)	26.95
OUTSTANDING, AUGUST 31, 2007	**2,386,751**	**28.36**

The fair value of each option granted since September 1, 2003, was estimated on the date of grant using the Black-Scholes option pricing model. No options were granted during fiscal 2007. The weighted average fair value of the stock options granted during fiscal 2006 was $11.16 per option (2005 – $9.02). The estimated value of the options is amortized to income over the options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense for the year ended August 31, 2007, of $3,003 (2006 – $2,915; 2005 – $2,271). This charge has been credited to contributed surplus.

As at August 31, 2007, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise prices ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
19.05–24.95	1,228,089	3.6	22.93	891,714	22.58
27.00–37.90	866,477	2.7	31.94	660,327	31.82
39.00–44.00	292,185	0.6	40.56	292,185	40.56
19.05–44.00	2,386,751	2.9	28.36	1,844,226	28.73

Dividends

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.01 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

On December 9, 2003, the Board of Directors of Corus approved a semi-annual dividend for holders of Class A Voting Shares and Class B Non-Voting Shares of $0.02 and $0.025, respectively. On April 14, 2005, the Board of Directors approved an increase in its semi-annual dividend to holders of Class A Voting Shares and Class B Non-Voting Shares to $0.045 and $0.05,

respectively. On January 12, 2006, the Board of Directors approved an increase in its dividend, to be paid quarterly, to holders of Class A Voting Shares and Class B Non-Voting Shares to $0.0975 and $0.010, respectively. On July 13, 2006, the Board of Directors approved an increase in its quarterly dividend to holders of Class A Voting Shares and Class B Non-Voting Shares to $0.2125 and $0.215, respectively. On April 3, 2007, the Board of Directors approved an increase of $0.14 to the annual dividend rate and the commencement of monthly instead of quarterly dividend payments.

In fiscal 2007, the Company paid quarterly dividends on September 30, 2006, December 31, 2006 and March 31, 2007, and monthly dividends each month thereafter. The total amount of dividends declared in fiscal 2007 was $42,842 (2006 – $19,586).

Executive stock purchase loans

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a ten-year term from December 1, 2001, with annual instalments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2007, the Company had loans receivable of $946 (2006 – $1,180) from certain qualifying executive officers. As at August 31, 2007, the market value of the shares held as collateral for the loans was $2,669 (2006 – $2,111).

Performance Share Units

The Company has granted Performance Share Units ("PSUs") to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the Toronto Stock Exchange ("TSX") at the end of the restrictions period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. The restriction period for PSUs granted in fiscal 2005 ended August 31, 2007; the restriction period for PSUs granted in fiscal 2006 ends August 31, 2008; and the restriction period for PSUs granted in fiscal 2007 ends August 31, 2009. The employee must be actively employed by Corus as of the end of the restriction period to receive a payment of the vested units. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The stock-based compensation expense recorded for the year ended August 31, 2007, in respect of this plan, was $6,059 (2006 – $8,689). The current year's expense includes a credit of $2,874 generated by a total return swap entered into in fiscal 2007 in order to limit the Company's exposure to changes in the fair value of certain obligations under the PSU plan.

Long-term incentive plan

In fiscal 2006, the Company implemented a new long-term plan for senior management based on shareholder appreciation targets of 13.5%, 16% and 20% over a cumulative five-year period and peer group performance. The plan is intended to encourage and reward outstanding performance by plan participants if certain performance measures are met. The plan is also designed to act as a retention tool. The plan has two performance measures. The first measure is absolute annualized shareholder return and represents 80% of the potential award. The annual volume weighted return is based on three target levels of 13.5%, 16% and 20%. The second measure is relative performance against relevant peer companies and represents 20% of the potential award. The participant is not eligible to receive an award until two years after achieving the target and the award will vest at the rate of one-third on the third anniversary, one-third on the fourth anniversary and one-third on the fifth anniversary. The obligation will be funded by the purchase of Corus shares in the open market. The Company has recorded stock-based compensation expense for the year of $1,130 (2006 – $533). This charge has been credited to contributed surplus.

Normal Course Issuer Bid

On February 12, 2007, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its normal course issuer bid for its Class B Non-Voting Shares through the facilities of the TSX. The Company intends to purchase for cancellation a maximum of 1,500,000 Class B Non-Voting Shares.

During the year ended August 31, 2007, the Company repurchased and cancelled 769,100 Class B Non-Voting Shares at an average price of $47.36 per share, for a total cash consideration of $36,422. This cash consideration exceeded the carrying value of the shares repurchased by $20,193, which amount was charged to retained earnings.

Pro forma impact of stock-based compensation

For options granted to employees up to August 31, 2003, had compensation costs for the Plan been determined based on the fair value based method of accounting for stock-based compensation, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2007	2006	2005
Net income	**107,018**	35,471	71,114
Pro forma net income	**106,951**	34,284	69,598
Pro forma basic earnings per share	**$2.53**	$0.81	$1.63
Pro forma diluted earnings per share	**$2.47**	$0.79	$1.62

Note 15. Contributed surplus

BALANCE, AUGUST 31, 2005	3,558
Stock-based compensation	3,448
Exercise of stock options	(128)
BALANCE, AUGUST 31, 2006	6,878
Stock-based compensation	4,133
Exercise of stock options	(761)
BALANCE, AUGUST 31, 2007	**10,250**

Note 16. Interest expense

	2007	2006	2005
Interest on long-term debt	**33,553**	41,383	54,859
Other interest	**2,285**	1,722	702
	35,838	43,105	55,561

Note 17. Other expense, net

	2007	2006	2005
Interest income	**(841)**	(2,643)	(2,995)
Foreign exchange gains and losses	**109**	487	(3,338)
Earnings from equity investments	**857**	(1,004)	(1,607)
Restructuring charges	**10,393**	11,433	–
Asset disposal gains and losses	**(1,448)**	2,801	(1,046)
Mark-to-market on derivative	**–**	–	(4,377)
Broadcast license impairment	**–**	–	4,108
Retroactive tariff adjustment	**–**	–	3,826
Other	**730**	593	(65)
	9,800	11,667	(5,494)

Note 18. Income taxes

(a) Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

	2007	2006
FUTURE TAX LIABILITY		
Deferred charges deducted for tax purposes capitalized for accounting purposes	846	840
Capital cost allowance in excess of book depreciation, net	(95)	131
Deferred partnership income	4,611	4,206
Differences in tax and accounting cost bases for investments	14,909	14,526
Broadcast licenses and other intangible assets	144,804	136,507
Other, net	2,787	2,620
TOTAL FUTURE TAX LIABILITY	167,862	158,830
FUTURE TAX ASSET		
Book depreciation in excess of capital cost allowance	27,356	26,640
Loss carryforwards, net of valuation allowances	28,760	43,033
Amortization deducted for accounting purposes in excess of tax purposes	1,442	17,706
Differences in tax and accounting cost bases for investments	17,660	1,747
Revenue recognition differences between tax and accounting purposes	993	1,058
Purchase price equation differences	56	57
Other, net	2,262	2,677
TOTAL FUTURE TAX ASSET	78,529	92,918
NET FUTURE TAX LIABILITY	89,333	65,912
Less current portion of future tax asset	13,518	14,535
FUTURE TAX LIABILITY	102,851	80,447

(b) Significant components of the income tax expense (recovery) attributable to operations are as follows:

	2007	2006	2005
Current tax expense	43,518	38,227	34,209
Future tax expense (recovery) relating to origination and reversal of temporary differences	3,189	(12,978)	2,559
Future tax expense (recovery) resulting from utilization (recognition) of losses	14,293	(24,552)	9,035
Future tax expense (recovery) resulting from tax rate changes	(1,631)	(11,835)	254
Recovery of various future tax liabilities	–	(25,187)	–
Other	444	320	(3,247)
INCOME TAX EXPENSE (RECOVERY)	59,813	(36,005)	42,810

Included in income tax recovery for fiscal 2006 is a change in long-term future tax rates resulting in a recovery of $11,835 and a recovery of $25,187 relating to future tax liabilities that are deemed in the current period to be no longer required as the result of various tax planning strategies.

(c) The reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax expense is as follows:

	2007		2006		2005	
	$	**%**	$	%	$	%
Tax at combined federal and provincial rate	**61,055**	**35.5**	1,133	35.2	41,356	35.4
Differences from statutory rates relating to amortization of intangible assets	**(122)**	**(0.1)**	243	7.5	166	0.1
Non-taxable portion of net capital gains on sale of investments	**(1,319)**	**(0.8)**	(4,221)	(131.0)	(19)	–
Increase (reduction) in future taxes resulting from statutory rate change	**(1,631)**	**(0.9)**	(11,835)	(367.3)	254	0.2
Reversal in current year of temporary differences originally recorded using long-term tax rates	**(382)**	**(0.2)**	2,368	73.5	–	–
Large Corporations Tax and foreign withholding tax	**401**	**0.2**	600	18.6	1,617	1.4
Recovery of various future tax liabilities	**1,016**	**0.6**	(25,187)	(781.7)	–	–
Other	**795**	**0.4**	894	27.7	(564)	(0.5)
	59,813	**34.7**	(36,005)	(1,117.5)	42,810	36.6

(d) The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2007, the Company had available loss carryforwards of approximately $109,400. A future tax asset of $37,600 (2006 – $49,600) has been recognized in respect of these carryforwards, net of a valuation allowance of $8,800 (2006 – $7,300).

The available loss carryforwards will expire as follows:

2008	1,900
2009	7,400
2010	2,800
2011	5,400
2015	3,600
2026	69,700
2027	1,400
No expiration – capital losses	17,200
	109,400

Note 19. Business segment information

The Company's business activities are conducted through three reportable operating segments:

Radio

The Radio segment consists of 52 radio stations, situated primarily in high-growth urban centres in Canada. Revenues are derived from advertising aired over these stations.

Television

The Television segment includes interests in several specialty television networks, pay television, conventional television stations, a digital music service and cable advertising services, and the Nelvana production studio. Revenues are generated from subscriber fees and advertising.

Content

The Content segment includes the production and distribution of television programs and the sale and licensing of related products. Revenues are generated from licensing of proprietary films and television programs, merchandise licensing and publishing.

The Content segment derives programs for distribution through two means: (1) production by the Nelvana studio; and (2) acquisition from third-party producers. Prior to fiscal 2007, the studio was considered to be part of the Content segment. As a result of changes made to Corus' management structure in early fiscal 2007, the production studio is now considered part of the Television segment and the activities of the studio are included in Television's results. The segment results of Television and Content for the prior year have been restated to reflect certain aspects of this change. The impact of the items restated on fiscal 2006 is to increase Television's revenues and segment profit by $8,507 and $1,053 for the year, with a corresponding decrease in Content. For other aspects of the new business relationship between the Content and Television segments, it is impracticable to restate prior years.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates each business segment's performance based on revenues less direct cost of sales, general and administrative expenses. Transactions between reporting segments are recorded at fair value.

(a) Revenues and segment profit

Year ended August 31, 2007	**Radio**	**Television**	**Content**	**Corporate**	**Eliminations**	**Consolidated**
Revenues	**275,736**	**436,270**	**61,325**	**–**	**(4,588)**	**768,743**
Direct cost of sales, general and administrative expenses	**198,201**	**253,822**	**55,883**	**24,844**	**(4,928)**	**527,822**
Segment profit	**77,535**	**182,448**	**5,442**	**(24,844)**	**340**	**240,921**
Depreciation	**6,195**	**10,908**	**256**	**4,197**	**–**	**21,556**
Amortization	**–**	**355**	**–**	**1,200**	**–**	**1,555**
Interest expense	**–**	**–**	**–**	**35,838**	**–**	**35,838**
Other expense, net	**3,911**	**6,156**	**2,876**	**(3,143)**	**–**	**9,800**
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**67,429**	**165,029**	**2,310**	**(62,936)**	**340**	**172,172**

Year ended August 31, 2006	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	268,367	401,856	63,618	–	(7,571)	726,270
Direct cost of sales, general and administrative expenses	200,015	236,563	59,118	23,998	(7,543)	512,151
Segment profit	68,352	165,293	4,500	(23,998)	(28)	214,119
Depreciation	6,899	10,493	149	3,761	–	21,302
Amortization	–	1,065	–	1,807	–	2,872
Interest expense	–	–	–	43,105	–	43,105
Debt refinancing loss	–	–	–	131,951	–	131,951
Other expense, net	4,000	901	6,468	298	–	11,667
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	57,453	152,834	(2,117)	(204,920)	(28)	3,222

Year ended August 31, 2005	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	252,685	354,201	82,318	–	(6,135)	683,069
Direct cost of sales, general and administrative expenses	183,680	213,419	78,750	18,611	(6,702)	487,758
Segment profit	69,005	140,782	3,568	(18,611)	567	195,311
Depreciation	6,979	9,060	3,926	3,745	–	23,710
Amortization	–	1,859	–	2,718	–	4,577
Interest expense	–	–	–	55,561	–	55,561
Other expense, net	7,982	312	(3,641)	(10,147)	–	(5,494)
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	54,044	129,551	3,283	(70,488)	567	116,957

The Corporate segment results represent the incremental cost of Corporate overhead in excess of the amount allocated to the other operating segments.

Gross revenues are derived from the following geographical sources by location of customer as follows:

	2007	2006	2005
Canada	**718,053**	675,199	624,130
United States	**26,708**	28,798	25,754
International	**23,982**	22,273	33,185
	768,743	726,270	683,069

Corus' revenue streams for fiscal 2007 are derived primarily from three areas: advertising (57%), subscriber fees (29%) and license fees (6%) (2006 – 58%, 28% and 5%, respectively).

(b) Segment assets

	2007	2006
Radio	**725,410**	706,007
Television	**1,065,585**	945,129
Content	**80,723**	98,935
Corporate	**68,519**	94,836
Eliminations	**(3,270)**	(2,698)
	1,936,967	1,842,209

Assets are located primarily within Canada.

(c) Capital expenditures by segment

	2007	2006	2005
Radio	**7,745**	11,253	4,733
Television	**7,522**	5,254	7,052
Content	**290**	3,289	2,622
Corporate	**4,730**	3,802	4,810
	20,287	23,598	19,217

Property, plant and equipment are located primarily within Canada.

(d) Goodwill

	2007	2006
Radio	**417,961**	407,453
Television	**370,425**	341,839
Content	**7,446**	7,446
	795,832	756,738

Goodwill is located primarily within Canada.

Note 20. Financial instruments

Fair values

The fair values of financial instruments have been determined as follows:

(i) Current assets and current liabilities

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

(ii) Investments and other assets

(a) The fair value of publicly traded shares included in this category is determined by the closing market values for those investments.

(b) The fair value of other investments in this category is not determinable.

(iii) Long-term debt

The carrying value of the Company's bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and LIBOR rates.

(iv) Other long-term liabilities

The fair values of other long-term liabilities approximate their carrying values as they are recorded at the net present values of future cash flows, using a discount rate that approximates the Company's weighted average cost of capital.

(v) Derivative financial instruments

The fair values of cross-currency and interest rate swap agreements are based on quotations by the counterparties to the agreements.

The estimated fair values of these agreements are as follows:

	2007		2006	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Interest rate swap agreements	**–**	**8,767**	–	2,012
Total return swap agreements	**(497)**	**(497)**	–	–

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit risks and concentration

Credit risks associated with the interest rate swap agreements arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable resulting from advertising and affiliate subscriber fee revenues are not subject to any concentration of credit risk.

Accounts receivable from distribution and licensing of proprietary exploitation rights of feature films and television programs are subject to credit risk. The risk is mitigated because the Company enters into license and distribution contracts with many major international broadcasters and distributors.

Note 21. Earnings per share

The following is a reconciliation of the numerators and denominators used for the computation of the basic and diluted earnings per share amounts:

	2007	2006	2005
Net income for the year (numerator)	**107,018**	35,471	71,114
Weighted average number of shares outstanding (denominator)			
Weighted average number of shares outstanding – basic	**42,281**	42,461	42,761
Effect of dilutive securities	**1,047**	786	334
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – DILUTED	**43,328**	43,247	43,095

Note 22. Consolidated statements of cash flows

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

(a) Net change in non-cash working capital balances related to operations consists of the following:

	2007	2006	2005
Accounts receivable	**(10,275)**	14,509	(13,055)
Prepaid expenses and other	**(2,586)**	3,435	(1,794)
Accounts payable and accrued liabilities	**(9,939)**	(28,160)	6,040
Income taxes payable	**(3,240)**	1,546	(1,497)
Deferred credits	**(1,662)**	1,223	12,354
Other	**(108)**	(2,451)	187
	(27,810)	(9,898)	2,235

(b) Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2007	2006	2005
Interest paid	**33,928**	61,025	53,855
Interest received	**841**	2,643	2,995
Income taxes paid	**47,646**	38,218	36,279

Note 23. Foreign exchange gains and losses

The Company has reflected certain gains and losses in its consolidated statements of income and retained earnings as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relate to operating activities while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2007	2006	2005
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS			
Direct cost of sales, general and administrative expenses	**(363)**	(511)	(825)
Other expense, net	**109**	487	(3,338)
TOTAL FOREIGN EXCHANGE GAIN	**(254)**	(24)	(4,163)

An analysis of the cumulative translation adjustment shown separately in shareholders' equity is as follows:

BALANCE, AUGUST 31, 2005	(10,009)
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	(1,519)
BALANCE, AUGUST 31, 2006	(11,528)
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	(641)
BALANCE, AUGUST 31, 2007	**(12,169)**

Note 24. Reconciliation of Canadian GAAP to U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with U.S. GAAP:

(a) Reconciliation to U.S. GAAP

	2007	2006	2005
NET INCOME USING CANADIAN GAAP	**107,018**	35,471	71,114
Add (deduct) adjustments for			
Deferred charges (i)	**251**	752	1,858
Other	**–**	447	–
Income tax effect of adjustments	**(90)**	(291)	(764)
NET INCOME USING U.S. GAAP	**107,179**	36,379	72,208
Add (deduct) adjustments for changes in			
Unrealized gains on investments classified as available for sale, net of tax (ii)	**129**	1,235	1,864
Unrealized gain (loss) on derivative contracts (iii)	**5,540**	69,847	(41,634)
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	**(641)**	(1,519)	(3,418)
COMPREHENSIVE INCOME USING U.S. GAAP	**112,207**	105,942	29,020
NET INCOME PER SHARE USING U.S. GAAP			
Basic	**$2.53**	$0.86	$1.69
Diluted	**$2.47**	$0.84	$1.68
COMPREHENSIVE INCOME PER SHARE USING U.S. GAAP			
Basic	**$2.65**	$2.50	$0.68
Diluted	**$2.59**	$2.45	$0.67

Balance sheet items using U.S. GAAP

		2007		2006
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
Investments and other assets (ii)	**17,492**	**25,974**	29,642	31,166
Deferred charges (i)	**4,100**	**4,100**	5,655	5,300
Broadcast licenses and goodwill (iv)	**1,328,644**	**1,336,929**	1,261,950	1,270,235
Future tax liability	**102,851**	**107,853**	80,447	84,070
Non-controlling interest	**15,196**	**15,196**	11,379	11,275
Accumulated other comprehensive loss	**–**	**(5,162)**	–	(10,190)
Other components of shareholders' equity	**975,893**	**992,820**	917,498	933,623

The cumulative effect of these adjustments on shareholders' equity is as follows:

	2007	2006
Accumulated other comprehensive loss		
Unrealized losses on investments (ii)	(183)	(312)
Unrealized gain on derivative contracts (iii)	7,190	1,650
Unrealized foreign exchange loss on translation of self-sustaining foreign operations	(12,169)	(11,528)
Other components of shareholders' equity		
Deferred charges (i)	–	(161)
Equity in earnings of investees (iv)	4,758	4,758
Cumulative translation adjustment	12,169	11,528
TOTAL CUMULATIVE EFFECT OF ADJUSTMENTS ON SHAREHOLDERS' EQUITY	11,765	5,935

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

(i) Deferred charges

Start-up costs of new specialty programming networks and costs associated with reformatting radio stations are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred.

(ii) Unrealized gains on investments

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity, net of related deferred income taxes. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value that is other-than-temporary has occurred. The Company has determined that the decline in fair value is not other-than-temporary, based on the financial condition of the issue and the fact that the Company has the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in market value. The Company has considered evidence, such as industry analyst reports, that supports this conclusion.

(iii) Derivative instruments and hedging activities

Under U.S. GAAP, all derivative instruments are to be recorded on the consolidated balance sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through income, or deferred in other comprehensive income until the hedged item is recognized in income.

(iv) Equity in earnings of investees

Under Canadian GAAP, the investments in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ("WIC") in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments is used from the date the Company first acquired shares in Nelvana and WIC.

(b) Stock-based compensation

For stock options granted to employees after August 31, 2003, the Company has adopted the fair value method of accounting. The Company applies Accounting Principles Board Opinion No. 25 in accounting for stock options granted to employees and officers prior to September 1, 2003. Had compensation expense been determined on the basis of the estimated fair values of the options granted prior to September 1, 2003, net income for the year ended August 31, 2007, would have decreased by $67 to $107,112, or $2.53 per share (2006 – net income would have decreased by $1,270 to $35,109, or $0.83 per share; 2005 – net income would have decreased by $4,198 to $68,010, or $1.59 per share).

Note 25. Government financing and assistance

Revenues include $1,708 (2006 – $2,845; 2005 – $2,053) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable. As well, revenues include $804 (2006 – $939; 2005 – $1,011) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

Note 26. Commitments, contingencies and guarantees

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term operating lease agreements for the use of facilities and equipment in each of the next five years and thereafter as follows:

2008	25,880
2009	19,471
2010	20,763
2011	18,735
2012	13,057
Thereafter	198,501
	296,407

Rental expenses recognized in direct cost of sales, general and administrative expenses totaled approximately $13,180 (2006 – $13,070; 2005 – $13,411).

The Company has entered into various agreements for the right to broadcast or distribute certain film and television programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films and television programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $250,153.

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2007, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

In fiscal 2005, Corus and a related party entered into a contra agreement for the exchange of $2,500 in media time annually for a five-year period. The Company's obligation will be settled with a combination of radio and television spots. In addition, the Company will provide a total of $1,000 annually in direct response promotions for the related party.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006 the Company remitted approximately $5.0 million in Part II license fees to the CRTC. The Company has concluded that it is not appropriate to accrue for these fees in its results for fiscal 2007. The decision is subject to appeal, and the outcome of any appeal may have a detrimental impact on the future financial results of the Company.

Note 27. Related party transactions

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $104,402 (2006 – $92,837; 2005 – $94,633), production and distribution revenue of $3,487 (2006 – $2,853; 2005 – $2,463) and administrative and other fees of $5,006 (2006 – $5,968; 2005 – $6,561) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,493 (2006 – $4,441; 2005 – $4,800) and administrative and other fees of $2,604 (2006 – $2,106; 2005 – $2,007) to related parties. As at August 31, 2007, the Company had $19,328 (2006 – $17,446) receivable from related parties.

The Company provided related parties with radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Included in accounts receivable (note 5), other investments (note 6(b)) and share capital (note 14) are loans of $1,706 (2006 – $6,074) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest bearing and are due between December 1, 2011 and October 31, 2022.

Note 28. Employee future benefits

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in 2007 related to the defined contribution plan was $5,836 (2006 – $6,016; 2005 – $5,527). The amount contributed is approximately the same as the expense included in the consolidated statements of income and retained earnings.

Note 29. Subsequent events

On September 12, 2007, the Company announced organizational changes in its Corporate and Television divisions. These changes will result in severance and other restructuring expenses of approximately $2,000 to be recorded in the first quarter of fiscal 2008.

On October 25, 2007, the Company announced that it plans to implement a two-for-one stock split for its issued and outstanding Class A Voting and Class B Non-Voting Shares. The stock split, which has been approved by the Company's Board of Directors, must be approved by shareholders at a special meeting of shareholders scheduled to be held in Calgary, Alberta on January 9, 2008, and is subject to regulatory approval and the filing of articles of amendment. Following approval by shareholders, the effective date of the stock split is expected to be February 1, 2008.

Note 30. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 consolidated financial statements.

Officers

Hal Blackadar
Oakville, Ontario
Vice President, Human Resources
Corus Entertainment Inc.

John M. Cassaday
Toronto, Ontario
President and Chief Executive Officer
Corus Entertainment Inc.

Scott Dyer
Toronto, Ontario
Executive Vice President,
General Manager, Corus Kids
Corus Entertainment Inc.

John P. Hayes
Toronto, Ontario
President, Radio
Corus Entertainment Inc.

Gary Maavara
Toronto, Ontario
Vice President, General Counsel
Corus Entertainment Inc.

Doug Murphy
Toronto, Ontario
President, Nelvana Enterprises
Corus Entertainment Inc.

Thomas C. Peddie FCA
Toronto, Ontario
Senior Vice President and
Chief Financial Officer
Corus Entertainment Inc.

John R. (Jack) Perraton
Calgary, Alberta
Corporate Secretary
Corus Entertainment Inc.
Senior Partner
Perraton Law

Paul W. Robertson
Toronto, Ontario
President, Television
Corus Entertainment Inc.

Susan Ross
Toronto, Ontario
Executive Vice President,
General Manager, Lifestyle,
Drama and Movies
Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Executive Chair
Corus Entertainment Inc.

David Spence CA
Markham, Ontario
Vice President, Controller
Corus Entertainment Inc.

Directors

Pierre Béland
Montreal, Quebec
Mr. Béland is President of Métromédia Plus, a Montreal-based transit advertising company. Prior to this, he held the position of President of Corus Radio Québec, Métromédia Broadcasting and Télémedia Québec. Mr. Béland is a member of the Québec Bar Association and is also involved with a number of charitable organizations.
Member of the Human Resources Committee

John M. Cassaday
Toronto, Ontario
Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position which he has held since the creation of Corus in September 1999. Prior to the creation of Corus, Mr. Cassaday was President, Shaw Media. He is a Director of Manulife Financial and Sysco Corporation.
Member of the Executive Committee

Dennis Erker
Edmonton, Alberta
Mr. Erker is a Partner in the Fairley Erker Advisory Group, a financial and estate planning company. Mr. Erker is the Chairman of Canadian Hydro Developers Inc., a Director of First Canadian Insurance Company and Millennium Insurance Company, as well as serving as a Director of several charitable organizations.
Member of the Executive Committee, Human Resources Committee and Chair of the Corporate Governance Committee

Carolyn Hursh
Calgary, Alberta
Ms. Hursh is the Chairman of James Richardson & Sons, Limited, a family owned and managed conglomerate established in 1857, whose subsidiaries include: Pioneer Grain Limited, Canbra Foods Limited, Tundra Oil & Gas Limited, Lombard Realty Limited, Richardson Financial Partners Limited and Richardson Capital Limited. Ms. Hursh is also Chairman of the Max Bell Foundation.
Member of the Corporate Governance Committee

Wendy A. Leaney
Toronto, Ontario
Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank. From 2001 to 2005, Ms. Leaney also served on the Board of Call-Net Enterprises.
Member of the Audit Committee

Ronald D. Rogers
Calgary, Alberta
Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August of 2004. Mr. Rogers serves as a Trustee for The Brick Group Income Fund, Transforce Income Fund, Pizza Pizza Royalty Income Fund and Parkland Income Fund.
Member of the Human Resources Committee and Chair of the Audit Committee

Catherine Roozen
Edmonton, Alberta
Ms. Roozen is Director and Corporate Secretary of Cathton Holdings Ltd. and the Allard Foundation, positions she has held since 1981. Ms. Roozen also serves as a Director for Melcor Developments Ltd. Ms. Roozen serves on the Alberta Cancer Board as well as on a number of charitable boards.
Member of the Audit and Corporate Governance Committees

Terrance Royer
Calgary, Alberta
Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December of 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001–July 2006) and Chairman of the Alberta “Access to the Future Fund” for post-secondary institutions in Alberta.
Member of the Executive Committee, Audit Committee and Chair of the Human Resources Committee. Serves as the Lead Independent Director for Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Ms. Shaw is the Executive Chair of Corus Entertainment Inc., and has held the position since its inception in September 1999. Ms. Shaw is a Director for Viewtrak Technologies Inc., a member of The Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw also sits on a number of charitable boards.
Chair of the Board and the Executive Committee

Julie M. Shaw
Calgary, Alberta
Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc., and Secretary of the Shaw Foundation, a philanthropic organization. Ms. Shaw is a Director for the Banff Centre Campaign.

Board Committee membership as of August 31, 2007.

Corus Entertainment Inc.

Stock listings
TSX: CJR.B
NYSE: CJR

Corporate office
630 3rd Avenue S.W.
Suite 501
Calgary, Alberta T2P 4L4
Telephone: 403.444.4244
Facsimile: 403.444.4242

Executive office
181 Bay Street
Suite 1630
Toronto, Ontario M5J 2T3
Telephone: 416.642.3770
Facsimile: 416.642.3779

Internet
Corus Entertainment's Annual Report, Annual Information Form, quarterly reports, press releases and other relevant investor relations information are available in the "Investor Information" section of the Corus Entertainment website (www.corusent.com).

Auditors
Ernst & Young LLP

Primary bankers
The Toronto-Dominion Bank

Transfer agent
CIBC Mellon Trust Company
Toronto, Ontario
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

The Bank of New York Mellon
Jersey City, New Jersey
Telephone: 1.800.387.0825
www.cibcmellon.com

Corporate governance
Information concerning Corus Entertainment's Corporate Governance Practices is contained in the Management Information Circular and is also available by contacting the Company, or by visiting the Company's website (www.corusent.com).

Further Information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.642.3770 or visit the Company's website, www.corusent.com.

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Vice President of Communications at 416.642.3779.

Vous pouvez obtenir la version française du present rapport en communiquant par télécopieur avec le vice-president des Communications, au 416.642.3779.

Annual Meeting
January 9, 2008
2 p.m. MT/4 p.m. ET
Sheraton Suites Calgary Eau Claire
255 Barclay Parade S.W.
Calgary, Alberta
Canada

Television

Specialty Networks
YTV – 100%
W Network – 100%
Treehouse – 100%
CMT Canada – 80%
Discovery Kids Canada – 53.6%
SCREAM – 51%
Telelatino – 50.5%
TELETOON – 50%
Food Network – 20%

Premium Networks
Movie Central – 100%
Encore – 100%

Other
Corus Custom Networks – 100%
Max Trax – 100%
CHEX TV – Durham – 100%
CHEX Television – Peterborough – 100%
CKWS TV – Kingston – 100%

Radio

British Columbia
Vancouver
AM730 (CHMJ) – AM
AM 980 (CKNW) – AM
Classic Rock 101 (CFMI) – FM
99.3 The FOX (CFOX) – FM

Alberta
Calgary
AM 770 CHQR (CHQR) – AM
Q107 (CFGQ) – FM
Country 105 (CKRY) – FM

Edmonton
630 CHED (CHED) – AM
Cool 880 (CHQT) – AM
CISN Country 103.9 (CISN) – FM
92.5 JOE FM (CKNG) – FM

Manitoba
Winnipeg
CJOB 68 (CJOB) – AM
Power 97 (CJKR) – FM
99.1 Cool FM (CJZZ) – FM

Ontario
Barrie
The New CHAY 93.1 (CHAY) – FM
B101 (CIQB) – FM

Cambridge
107.5 DAVE-FM (CJDV) – FM

Collingwood
95.1 The Peak (CKCB) – FM

Cornwall
AM 1220 (CJUL) – AM
Variety 104.5 (CFLG) – FM
Classic Rock 101.9 (CJSS) – FM

Guelph
1460 CJOY (CJOY) – AM
Magic 106.1 (CIMJ) – FM

Hamilton
AM900 CHML (CHML) – AM
The New Country 95.3 (CING) – FM
Y108 (CJXY) – FM

Kingston
Oldies 960 (CFFX) – AM
Kingston's FM 96 (CFMK) – FM

Kitchener
91.5 The Beat (CKBT) – FM

London
AM980 CFPL (CFPL) – AM
The New 1031 Fresh FM (CFHK) – FM
FM 96 (CFPL) – FM

Peterborough
980 KRUz (CKRU) – AM
101.5 The Wolf (CKWF) – FM

Toronto
AM640 Toronto Radio (CFMJ) – AM
102.1 the Edge (CFNY) – FM
Q107 (CILQ) – FM

Woodstock
103.9 The Hawk (CKDK) – FM

Quebec
Gatineau
CJRC 104,7 FM (CJRC) – FM*

Montmagny
CFEL 102,1 FM (CFEL) – FM

Montreal
Info690 (CINF) – AM
AM940 (CINW) – AM
CKAC Sports 730AM (CKAC) – AM
Q92 (CFQR) – FM
98,5 FM (CHMP) – FM
CKOI 96,9 (CKOI) – FM

Quebec City
Info800 (CHRC) – AM
CFOM 102,9 FM (CFOM) – FM

Saguenay
CKRS 98,3 FM (CKRS) – FM*

Saint-Jérôme
CIME 103,9 FM (CIME) – FM

Sherbrooke
CHLT 102,1 FM (CHLT) – FM*

Trois-Rivières
CHLN 106,9 FM (CHLN) – FM*

Content

Nelvana Enterprises
Kids Can Press

Canadian broadcast, branded animation and publishing assets as of August 31, 2007.

Percentages reflect equity position.

* *These stations will also transmit in AM for a transitional period.*

Concept and Design: **THE WORKS** www.worksdesign.com Printing: At **Avant Imaging and Information Management Inc.** by Xerox Canada

MOVIE CENTRAL

CKNW NEWS TALK SPORTS AM980

W NETWORK

Country 105 CKRY FM

SCREAM thrillers suspense horror

102.1 the edge

cisn COUNTRY 103.9FM

YTV

KIDS CAN PRESS

TELETOON

CMT cmt.ca

tln telelatino

Q107 Classic Rock

MANITOBA'S INFORMATION CJOB 68 SUPERSTATION

NELVANA A CORUS™ ENTERTAINMENT COMPANY

AM 630 NEWS • TALK • SPORTS CHED

CKOI.com 96,9 FM

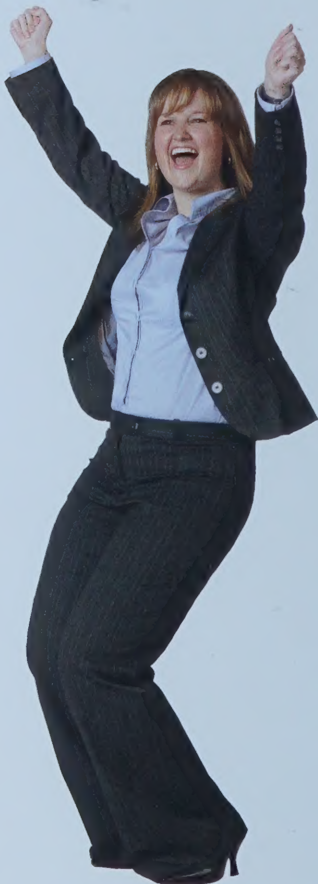
Discovery KIDS

98,5 fm Le nouveau FM parlé de Montréal

Treehouse

Corus

ENTERTAINMENT



"Our Core Values give us clarity, focus and drive – we are proud to live them each day."

Cheryl Bechtel, Controller, Corus Radio and a 2007 Corus Samurai Award winner

Initiative
We empower employees to make great things happen

Innovation
We are committed to creative thinking that leads to breakthrough ideas and superior results

Teamwork
We believe the greatest value is realized when we work together

Accountability
We do what we say we'll do – no excuses

Knowledge
We believe in continuous learning and the sharing of our insights and ideas

www.corusent.com